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HAMBLETON DISTRICT COUNCIL

# AGENDA

Committee Administrator: Democratic Services Officer (01609 767015)

Monday, 26 November 2018

Dear Councillor

**NOTICE OF MEETING**

| | |
|---|---|
| Meeting | **CABINET** |
| Date | **Tuesday, 4 December 2018** |
| Time | **9.30 am** |
| Venue | **Council Chamber, Civic Centre, Stone Cross, Northallerton** |

Yours sincerely

*J. Ives.*

Dr Justin Ives
Chief Executive

**To:**

Councillors
M S Robson (Chairman)
P R Wilkinson (Vice-Chairman)
Mrs B S Fortune

Councillors
Mrs I Sanderson
S Watson
D A Webster

Other Members of the Council for information

**AGENDA**

**Page No**

1. MINUTES

To confirm the decisions of the meeting held on 6 November 2018 (CA.34 - CA.37), previously circulated.

2. APOLOGIES FOR ABSENCE

Resources Management

3. 2018/19 Q2 CAPITAL MONITORING AND TREASURY MANAGEMENT MID-YEAR REVIEW 1 - 26

The purpose of this report is to provide the Quarter 2 update at 30 September 2018 on the progress of the capital programme 2018/19 and the treasury management position. A full schedule of the capital programme 2018/19 schemes is attached at Annex A, together with the relevant update on progress of each scheme.

In accepting the recommendations, Cabinet will approve and recommend to Council the net decrease of £133,034 in the capital programme to £14,474,164 and all expenditure movements as detailed in Annex B and also in the capital programme attached at Annex A of the report; the increase of capital expenditure is funded from earmarked reserves at £103,775 where £24,800 is funded from the Computer fund, £20,000 is funded from the Council Tax Payers Reserve, £5,235 is funded from capital receipts and £53,740 is from external grants/contributions; the funding allocation to the capital programme as detailed in paragraph 3.1 and 3.2 of the report; and the treasury management and prudential indicators at Annex E of the report.

**Relevant Ward(s): All Wards**

4. 2018/19 Q2 REVENUE MONITORING REPORT 27 - 34

This report provides an update on the revenue budget position of the Council and the reserve funds at the end of September 2018.

In accepting the recommendations, Cabinet will approve and recommend to Council that the budget remains at £8,096,170 as detailed in paragraph 3.2 of the report; the allocation from the One-Off fund at paragraph 6.7 of the report of £35,770; and the allocation of £1,500 from the Economic Development Fund at paragraph 6.3 and to note the remaining balance at paragraph 6.4 of the report is £580,199.

**Relevant Ward(s): All Wards**

5. CAPITAL SCHEME - GROUND SOURCE HEAT PUMPS 35 - 44

This report seeks approval for investment in the installation of Ground source Heap Pumps at the Civic Centre and the Council's four leisure centres at Bedale, Northallerton, Stokesley and Thirsk during 2019.

In accepting the recommendations, Cabinet will approve and recommend to Council that the Ground Source Heat Pump Scheme is allocated Capital budget of £2,113,198 for the implementations of installations at the Civic Centre, Northallerton Leisure Centre, Bedale Leisure Centre, Stokesley Leisure Centre and Thirsk Sowerby Leisure Centre; that delegated responsibility is given to the Director of Finance (Section 151 Officer) to authorise expenditure of the capital allocation on the Ground Source Heat Pump scheme to OFGEM and that further updates be provided as the project develops.

**Relevant Ward(s): All Wards**

6. EASINGWOLD SCHOOL SPORTS FACILITIES 45 - 50

This purpose of this report is to seek approval of a greater proportion of the Section 106 funds previously identified for the delivery of a sports hall and artificial pitch at Easingwold Secondary School, is used towards the provision of a 3g pitch, subject to the developer's agreement. The Council has previously agreed that both facilities would be funded from the Section 106 funds.

In accepting the recommendations, Cabinet will approves the division of the £650,000 Section 106 funds as highlighted within paragraph 1.9 of the report, subject to the developer's agreement and, subject to recommendation (1) being agreed that approval of a community use agreement for use of the facilities is delegated to the Chief Executive in conjunction with the Leader.

**Relevant Ward(s): Easingwold Ward**

Policy and Strategy

7. NEW REQUIREMENTS FOR MINIMUM ENERGY EFFICIENCY STANDARDS IN DOMESTIC PRIVATE RENTED PROPERTIES 51 - 54

This report introduces the requirements of the Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015 and determines the Authority's approach to the enforcement of these Regulations.

In accepting the recommendations, Cabinet will approve and recommend to Council that the Environmental Health service enforces the requirements of the Regulations to ensure that the Council fulfils its statutory duty; that the fund of £25,000 intended for Energy Repayment Loans is also made available for third party funding for energy efficiency improvements; and that penalties for non-compliance with Regulations are imposed on a case by case basis up to the statutory maximum and published in accordance with the Council's arrangements for its fees and charges.

**Relevant Ward(s): All Wards**

8. RESPONSE TO GOVERNMENT CONSULTATION 55 - 62

This report provides Cabinet with details of Government consultation exercises in relation to (1) Permitted development for shale gas exploration and (2) Inclusion of shale gas production projects in the Nationally Significant Infrastructure Project (NSIP) regime and the response provided by Officers on behalf of the Council. Both consultation responses were required by 11:45pm on 25 October 2018.

In accepting the recommendation, Cabinet will endorse the Officers' response to the Government Consultation on (1) Permitted development for shale gas exploration and (2) Inclusion of shale gas production projects in the Nationally Significant Infrastructure Project (NSIP) regime and the response provided by Officers on behalf of the Council.

**Relevant Ward(s): All Wards**

Policy Implementation

9. COUNCIL TAX REDUCTION SCHEME FROM 2019/20 63 - 64

For each financial year the billing authority must consider whether to revise its Council Tax Reduction scheme or replace it with another. Any revision or replacement scheme must be made no later than 11 March in the financial year preceding that year for which the revision or replacement scheme is to be effective. This report seeks approval of the Council Tax Reduction Scheme from 2019/20.

In accepting the recommendation, Cabinet will approve and recommend to Council that the current Local Council Tax Reduction Scheme incorporating any legislation changes effective from April 2019 continues into 2019/20.

**Relevant Ward(s): All Wards**

**HAMBLETON DISTRICT COUNCIL**

**Report To:** Cabinet
4 December 2018

**Subject:** **2018/19 Q2 CAPITAL MONITORING AND TREASURY MANAGEMENT REPORT MID YEAR REVIEW**

**All Wards**

**Portfolio Holder for Economic Development and Finance: Councillor P R Wilkinson**

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## 1.0 PURPOSE AND BACKGROUND:

1.1 The purpose of this report is to provide Members with the Quarter 2 update at 30 September 2018 on the progress of the capital programme 2018/19 and the treasury management position. A full schedule of the capital programme 2018/19 schemes is attached at Annex A, together with the relevant update on progress of each scheme.

1.2 Capital expenditure is intrinsically linked with treasury management as the way that the capital programme is funded directly effects the treasury management arrangements of the Council. The majority of the Council's capital expenditure is funded by grants, capital receipts and reserves, however borrowing is also considered when required. The use of the Council's funds affects the daily treasury management cash flow position, as well as the requirement to investment surplus funds.

## 2.0 CAPITAL PROGRAMME SUMMARY:

2.1 The 2018/19 capital programme was approved by Cabinet at Quarter 1 on 4 September 2018 at £14,607,198.

2.2 At this Quarter 2 monitor, a net decrease to the capital programme of 133,034 results in a total revised capital programme of £14,474,164

2.3 The net decrease of £133,034 to be approved in this report is detailed in Annex B and is made up of:-

(a) increase in expenditure of £50,035 supported from capital reserves

(b) decrease in expenditure of £15,909 due to funding no longer required

(c) increase in expenditure of £53,740 funded externally

(d) increase in expenditure of £24,000 due to scheme rolled back from future years

(e) decrease in expenditure of £244,900 due to schemes rolled forward to 2019/20

| Portfolio | Current Approved Expenditure | Revised Expenditure Q2 | Variance Increase/ (decrease) | Request for additional funding | Funding no longer required | External Funding | Schemes re-profiled from future years | Schemes re-profiled to future years |
|---|---|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ | | £ |
| Leisure & Environment | 2,036,434 | 2,049,509 | 13,075 | 20,235 | - | 53,740 | 24,000 | (84,900) |
| Economy & Planning | 2,344,084 | 2,339,164 | (4,920) | 5,000 | (9,920) | - | - | - |
| Finance | 413,032 | 424,843 | 11,811 | 24,800 | (2,989) | - | - | (10,000) |
| Economic Development Fund | 461,465 | 308,465 | (153,000) | - | (3,000) | - | - | (150,000) |
| Corporate Schemes | 9,352,183 | 9,352,183 | - | - | - | - | - | - |
| **Total** | **14,607,198** | **14,474,164** | **(133,034)** | **50,035** | **(15,909)** | **53,740** | **24,000** | **(244,900)** |

Table 2: Capital Programme Q2 2018/19

2.4 Table 2 below outlines the variances reported against each portfolio area.

2.5 To 30 September 2018 capital expenditure of £1,207,927 had been incurred or committed representing 8% of the revised Quarter 2 capital programme position of £14,474,164. The loan to Broadacres of £8,800,000 is due to be drawn down before the end of the financial year and if this was currently excluded then 21% of the revised capital programme has been expended at Quarter 2. It is expected that the capital programme will come in on target at the end of the financial year.

2.6 The proposed changes to the Capital Programme, which require approval by this Cabinet, are detailed for each of the 4 portfolio areas at Annex B.

## 3.0 FUNDING THE CAPITAL PROGRAMME:

3.1 For 2018/19, at Quarter 2, the capital programme of £14,474,164 is being funded from £3,484,441 external grants/contributions, £308,465 from the Economic Development Fund, £419,353 from the Computer Fund, £794,292 from the Council Tax Payers Reserve, £74,778 from the Repairs and Renewals Reserve, £80,120 from revenue contributions and £512,715 from Capital Receipts.

3.2 In addition, the £8,800,000 loan to Housing Association can be financed either by the Council's surplus funds or external borrowing.

3.3 The external grant funding has increased in Quarter 2 by £53,740. This is as a result of £46,758 being rolled back from 2019/20 for the Thirsk and Sowerby Sports Village scheme since work is progressing quicker than anticipated and £6,982 being contributed by the Northallerton BID for a new CCTV camera at North End of Northallerton.

3.4 The capital receipts estimated to be received during 2018/19 is £464,300

3.5 Therefore at year end in accordance with accounting practice the capital programme will be financed using all available in year funding prior to using the Council's capital reserves. At Quarter 2 it is estimated that £48,415 of reserve funding will be used.

3.6 The overall funding position continues to be closely monitored to ensure the overall capital programme remains affordable and sustainable over the 10 year approved capital plan.

3.7 It should be noted that the report reflects the capital programme position as if approval has been agreed by Cabinet. This is detailed in the recommendations below.

## 4.0 TREASURY MANAGEMENT POSITION 2018/19:

4.1 The Treasury Management review at Quarter 2 2018/19 is attached at Annex C and provides Members with an update on the:

(a) treasury management position
(b) economy and interest rates
(c) investment policy
(d) investment performance
(e) borrowing position
(f) compliance with prudential and treasury indicators

4.2 The Treasury Management Strategy Statement (TMSS) for 2018/19 which details the Council's approach to treasury management was approved by this Council on 27 February 2018. There are no policy changes to the Treasury Management Strategy Statement.

4.3 At Quarter 1, Annex C detailed that a Capital Strategy would be presented at Quarter 2 and show how the new cash resources of the Council would be apportioned between treasury and non-treasury investments, in accordance with the CIPFA guidance Statement by the Treasury and Capital Management Panel on the Production of Capital Strategies. The updated Prudential code for Capital Finance in Local Authorities (Prudential Code) and Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes (Treasury Management Code) were issued in December 2017. Both these codes are effective for the 2018/19 financial year, however, it is recognised that the requirement included in the Prudential Code to produce a Capital Strategy may require a longer lead-in period. Therefore the Treasury and Capital Management Panel recognise that this requirement may not be able to be fully implemented until 2019/20 financial year. At Hambleton District Council the Capital Strategy and treasury and non-treasury indicators will be fully implemented and be approved at Council in February 2019 for 2019/20 financial year from 1 April 2019.

4.4 The investment position at Quarter 2, 30 September 2018 was £6,430,000 with an average interest rate return of 0.53% for the year to date. This is all invested in short term commodities for liquidity purposes due to the numerous capital projects that are currently ongoing within the Council.

4.5 The long term loan taken from the Public Works Loan Board is still outstanding with an interest rate of 1.05% and will be repaid on 5th September 2021. The Council has not borrowed any money in Quarter 2 however further borrowing is predicted in Quarter 4.

4.6 At Quarter 2 the Council had given £26,200,000 of loans to a Local Housing Association, a further £8,800,000 is available to be taken and the Local Housing Association has until 31 March 2019 to draw down the additional tranches.

4.7 The interest received from the loan to the local Housing Association is not included in this section of the report because the loan is classed as capital expenditure under economic development to support local businesses. However the interest earned in the second quarter from the £26,200,000 loaned to the Local Housing association is £284,600. This totals £569,200 to date in 2018/19 and is on target for the annual budget of £1,138,400.

4.8 The Council has operated within the treasury and prudential indicators set out at Annex E. The approved limits were not breached during the first six months of 2018/19.

## 5.0 LINK TO COUNCIL PRIORITIES:

5.1 All schemes approved as part of the capital programme have been evaluated against key corporate priorities. Schemes are only undertaken and approved by Cabinet in accordance with the Council Plan and supporting project initiation documentation.

5.2 Treasury Management supports all aspects of the Council's priorities as with good management of surplus funds, investment interest earned can be used to support Council services.

## 6.0 RISK ASSESSMENT:

6.1 There are no risks associated with approving this report. However, the risks associated with not receiving regular monitoring reports could lead to inability for the Cabinet to have an overview of the financial stability of the Council.

## 7.0 FINANCIAL IMPLICATIONS:

7.1 The financial implications are dealt with in the body of the report.

## 8.0 LEGAL IMPLICATIONS:

8.1 Treasury Management activities and the Capital programme conform to the Local Government Act 2003 and the Council has adopted the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code and the CIPFA Treasury Management Code of Practice.

## 9.0 EQUALITY/DIVERSITY ISSUES

9.1 The capital programme seeks to address key equality issues that affect the Council and the public. The main schemes that specifically addressed equalities in the second quarter of 2018/19 is the disabled facilities grant scheme, disable access to the Civic Centre and the pool access scheme for all four leisure centres.

## 10.0 RECOMMENDATION(S):

10.1 That Cabinet approves and recommends to Council:-

(1) the net decrease of £133,034 in the capital programme to £14,474,164 and all expenditure movements as detailed in Annex B and also in the capital programme attached at Annex A;

(2) the increase of capital expenditure is funded from earmarked reserves at £103,775 where £24,800 is funded from the Computer fund, £20,000 is funded from the Council Tax Payers Reserve, £5,235 is funded from capital receipts and £53,740 is from external grants/contributions;

(3) the funding allocation to the capital programme as detailed in paragraph 3.1 and 3.2; and

(4) the treasury management and prudential indicators at Annex E.

LOUISE BRANFORD-WHITE
DIRECTOR OF FINANCE (S151 OFFICER)

**Background papers:** Capital programme working papers Q2
Treasury management working papers Q2

**Author ref:** LBW / SC

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Direct Line No: 01609 767226

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**Capital Programme Schemes 2018/19** **Annex A**

| Councillor / Officer | Capital Scheme | Budget Approved at Qtr 1 | Qtr 2 | Qtr2 + 2018/19 | Third Party Contn | Third Party Cont Qtr 2 | Cost to the Council £ | Expenditure at 30th September 2018 | Anticipated Expenditure Year End | Variance | Change in Funding Taken / (Returned) Capital Reserve | Explanation |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | |
| | **Leisure & Environment** | | | | | | | | | | | |
| **Cllr Fortune** | | | | | | | | | | | | |
| | NLC - Improvement Scheme | 33,792 | | 33,792 | | | 33,792 | 1,244 | 33,792 | - | - | Retention funding to be allocated in January 2019 |
| | NLC - Undergroung Drainage | 6,500 | | 6,500 | | | 6,500 | - | 6,500 | - | - | Survey reviewed and validation of work to be commenced. Scheme to be completed in 2018/19 |
| | NLC - LED Lighting Muga | 17,000 | | 17,000 | | | 17,000 | - | 17,000 | - | - | Order placed with contractor work to planned to start in Quarter 3. |
| | SLC - Re-design of Reception Area | 33,900 | (33,900) | - | | | - | - | - | (33,900) | - | The scheme has been developed, including drawings and specification. Work to be progressed in consideration of other potential schemes (e.g School Sports Hall) in 2019/20. Request of roll forward to 2019/20 |
| | SLC -Viewing area | 1,112 | | 1,112 | 1,112 | | - | - | 1,112 | - | - | Scheme to be progressed at Quarter 3. |
| | SLC - Trend Control Systems | 6,800 | | 6,800 | | | 6,800 | - | 6,800 | - | - | Scheme developed, work to be completed in Quarter 4. |
| | SLC - External Air Handling Unit | 5,000 | | 5,000 | | | 5,000 | - | 5,000 | - | - | Scheme developed, work scheduled for October 2018 |
| | SLC - Gas Boiler Refurbishment | 25,000 | | 25,000 | | | 25,000 | - | 25,000 | - | - | To be delivered in Quarter 3 and specification currently being developed. |
| | SLC - AWP Improvements | 10,000 | (10,000) | - | | | - | - | - | (10,000) | - | Scheme to be progressed in consideration of other potential schemes (e.g School Sports Hall) in 2019/20. Request of roll forward to 2019/20. |
| | SLC - Activity Room | 20,000 | (20,000) | - | | | - | - | - | (20,000) | - | Scheme to be progressed in consideration of other potential schemes (e.g School Sports Hall) in 2019/20. Request of roll forward to 2019/20. |
| | BLC - Trend Control Systems | 6,000 | | 6,000 | | | 6,000 | - | 6,000 | - | - | Scheme developed, work to be completed in Quarter 4. |
| | BLC - Roof Tiles Repair | 6,000 | | 6,000 | | | 6,000 | - | 6,000 | - | - | Scheme developed, work to be completed in Quarter 3. |
| | T&SLC Entrance Roof | 5,609 | | 5,609 | | | 5,609 | 2,500 | 5,609 | - | - | Remaining budget to be applied to site surveys, in view of a wider project to improve the roofing and installation of a new air handling system in 2019/20 |

**Capital Programme Schemes 2018/19** **Annex A**

| Councillor / Officer | Capital Scheme | Budget Approved at Qtr 1 | Qtr 2 | Qtr2 + 2018/19 | Third Party Contn | Third Party Cont Qtr 2 | Cost to the Council £ | Expenditure at 30th September 2018 | Anticipated Expenditure Year End | Variance | Change in Funding Taken / (Returned) Capital Reserve | Explanation |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | All Leisure Centres - Pool Plant Equipment Replacement | 49,200 | | 49,200 | | | 49,200 | 10,621 | 49,200 | - | - | Scheme progressing and due for completion at Quarter 4. |
| | All Leisure Centres - Circulation Pump Replacement | 20,000 | | 20,000 | | | 20,000 | 10,620 | 20,000 | - | - | Works completed, awiating invoices, full budget spent. |
| | All Leisure Centres - Energy Management | 10,000 | | 10,000 | | | 10,000 | 591 | 10,000 | - | - | Links to Trend control systems schemes at BLC and SLC, further cost details to be ascertained in Quarter 3. |
| | All Leisure Centres - Safe Car Parking | 20,000 | | 20,000 | | | 20,000 | - | 20,000 | - | - | Leisure Centres are currently assess to identify health and safety improvments. |
| | All Leisure Centres - Pool access | 0 | 20,000 | 20,000 | | | 20,000 | - | 20,000 | 20,000 | - | Leisure Centres pool access requested of £20,000 to give access to all leisure centre pool to disabled people. |
| | Heat Source Pumps - all Leisure Centres | - | | - | | | - | - | - | - | - | Amended report to Cabinet and Council in December 2018. |
| | Forum - Capital Repairs | 1,448 | 24,000 | 25,448 | | | 25,448 | - | 25,448 | 24,000 | - | Request of £24,000 to be rolled back from 2020/21 to undertake electrical wiring at the Forum at Quarter 3. |
| | Bedale Public Art | 24,765 | 235 | 25,000 | 24,765 | | 235 | 25,000 | 25,000 | 235 | - | Scheme completed with art work installed with a small overspend of £235. |
| | Thirsk & Sowerby Sports Village | 1,477,905 | 46,758 | 1,524,663 | 1,477,905 | 46,758 | - | 126,969 | 1,524,663 | 46,758 | (46,758) | Phase 1 of the development is underway, request of £46,758 funded from S106- estimated completion date for this phase is 31 March 2019 |
| | CCTV Camera at North End, Northallerton | - | 6,982 | 6,982 | | 6,982 | - | 6,982 | 6,982 | 6,982 | (6,982) | CCTV Camera purchased by the Northallerton Business Improvement District for North End, Northallerton. The installed camera then becomes the property of Hambleton District Council. |
| **Cllr Watson** | | | | | | | | | | | | |
| | Purchase of bins and boxes for refuse and rec | 69,963 | | 69,963 | 10,000 | | 59,963 | 9,597 | 69,963 | - | - | Programme for purchasing bins in place and will be completed by end of March 2019 |
| | Waste and Street Scene - Telematics | 12,050 | | 12,050 | | | 12,050 | - | 12,050 | - | - | Project due to commence September 2018 |
| | Northallerton Depot Fire Alarm System | 10,390 | | 10,390 | | | 10,390 | 10,390 | 10,390 | - | - | New dialler on order, 'strobe' and additional sounder to be fitted by December 2018 |

Capital Programme Schemes 2018/19 Annex A

| Councillor / Officer | Capital Scheme | Budget Approved at Qtr 1 | Qtr 2 | Qtr2 + 2018/19 | Third Party Contn | Third Party Cont Qtr 2 | Cost to the Council £ | Expenditure at 30th September 2018 | Anticipated Expenditure Year End | Variance | Change in Funding Taken / (Returned) Capital Reserve | Explanation |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Northallerton Depot External Works | 8,000 | | 8,000 | | | 8,000 | - | 8,000 | - | - | Majority of the scheme completed with the full scheme completed by the end of March 2019 |
| | Stokesley Depot Welfare | 75,000 | | 75,000 | | | 75,000 | 5,410 | 75,000 | - | - | Scheme agreed, procurement of contractor in progress. Anticipate start date January 2019 for a duration of 10 -12 weeks |
| | Northallerton Depot - HGV Full Roof Replacement | 45,000 | | 45,000 | | | 45,000 | | 45,000 | - | - | Scheme in development and to be commenced in Quarter 3 |
| | Bridge End House - Condition Survey Urgent Repairs | 21,000 | (21,000) | - | | | - | - | - | (21,000) | - | Scheme requested to be rolled forward to 2019/20. |
| | Darlington Road Depot - Condition Survey Urgent Repairs | 15,000 | | 15,000 | | | 15,000 | - | 15,000 | - | - | Scheme to be reviewed during Quarter 3 to assess project extense. |
| | **Total Scheme Value Leisure & Environmen** | **2,036,434** | **13,075** | **2,049,509** | **1,513,782** | **53,740** | **481,987** | **209,924** | **2,049,509** | **13,075** | **- 53,740** | |
| | **Economy & Planning** | | | | | | | | | | | |
| **Cllr Mrs Sanderson** | | | | | | | | | | | | |
| | Public lighting replacement | 69,778 | | 69,778 | | | 69,778 | 26,728 | 69,778 | - | - | Scheme in progress as planned, completion anticipated March 2019. |
| | LED Lantern Replacement Scheme | 421,768 | | 421,768 | 300,000 | | 121,768 | 181,542 | 421,768 | - | - | Scheme in progress as planned, lighting survey nearing completion, contractor start on-site rescheduled to November 2018, completion remains as December 2019. |
| | Air Conditioning - Legislation requirement | 13,555 | | 13,555 | | | 13,555 | 2,275 | 13,555 | - | - | Scheme progressing as planned. |
| | Energy Efficiency (Market Assessment) | 10,000 | | 10,000 | | | 10,000 | 2,000 | 10,000 | - | - | Scheme progressing, Ground Source Heat Pump technology currently being assessed. |
| | World of James Herriot - Chimney Repair | 8,000 | | 8,000 | | | 8,000 | - | 8,000 | - | - | Procurement in progress, start planned for Q3. |
| | Civic Centre - Double Glazed Window Replacement Scheme | 12,000 | | 12,000 | | | 12,000 | - | 12,000 | - | - | Contractor selected, work planned to commence in Q3. |
| | Civic Centre - Disabled Access | 2,702 | | 2,702 | | | 2,702 | 2,702 | 2,702 | - | - | Scheme complete |

**Capital Programme Schemes 2018/19** **Annex A**

| Councillor / Officer | Capital Scheme | Budget Approved at Qtr 1 | Qtr 2 | Qtr2 + 2018/19 | Third Party Contn | Third Party Cont Qtr 2 | Cost to the Council £ | Expenditure at 30th September 2018 | Anticipated Expenditure Year End | Variance | Change in Funding Taken / (Returned) Capital Reserve | Explanation |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Civic Centre - External Woodwork Scheme - Dormers | 18,735 | | 18,735 | | | 18,735 | - | 18,735 | - | - | Contractor selected, work planned to commence in Q3. |
| | Civic Centre - External Woodwork Scheme - Stairwells | 10,000 | | 10,000 | | | 10,000 | - | 10,000 | - | - | Contractor selected, work planned to commence in Q3. |
| | Civic Centre - Card Access system | 4,000 | | 4,000 | | | 4,000 | 3,329 | 4,000 | - | - | Scheme complete and awaiting final invoices. |
| | Civic Centre/Northallerton Leisure Centre Increased Car Parking Provision | 75,000 | | 75,000 | | | 75,000 | 234 | 75,000 | - | - | Procurement in progress, start planned on-site in Q3. |
| | Civic Centre - Internal Painting | 5,000 | | 5,000 | | | 5,000 | - | 5,000 | - | - | Capital budget reallocated to Leisure Services. |
| | Car Park Reinstatements | 62,552 | | 62,552 | | | 62,552 | 4,925 | 62,552 | - | - | Car Park resurfacing budget to be reprofiled over 10 year capital programme. |
| | Adoptions - Electric Bollards - Thirsk & Northallerton | 31,558 | | 31,558 | | | 31,558 | - | 31,558 | - | - | Consultant appointed to support scheme delivery, scheme planning in progress, discussions with Public power utility, bollard suppliers and contractors in progress. |
| | Bedale Bridge and Cycle Scheme | 387,205 | | 387,205 | 335,000 | | 52,205 | - | 387,205 | - | - | Scheme is progressing with changes to the project plan in regards to Bedale Beck crossing. |
| | St Mary's Closed Churchyard Wall Repairs | 10,000 | | 10,000 | | | 10,000 | - | 10,000 | - | - | Contractor procured, start on-site planned for Q3. |
| | Boundary Signs | 3,969 | 5,000 | 8,969 | | | 8,969 | 1,786 | 8,969 | 5,000 | - | Request of £5,000 to install two additional signs on A1. |
| | Community Investment Scheme | 370,000 | (9,500) | 360,500 | | | 360,500 | 92 | 360,500 | - 9,500 | - | Heads of terms has been agreed with a purchase expected to take place in Quarter 3 with £9,500 returned to fund as no longer required. |
| **Cllr Wilkinson** | | | | | | | | | | | | |
| | Workspaces Health and Safety Aspects | 10,026 | | 10,026 | | | 10,026 | - | 10,026 | - | - | Waiting on some quotes for estimated commencement during Qtr 3. |

Capital Programme Schemes 2018/19

Annex A

| Councillor / Officer | Capital Scheme | Budget Approved at Qtr 1 | Qtr 2 | Qtr2 + 2018/19 | Third Party Contn | Third Party Cont Qtr 2 | Cost to the Council £ | Expenditure at 30th September 2018 | Anticipated Expenditure Year End | Variance | Change in Funding Taken / (Returned) Capital Reserve | Explanation |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Workspaces - Lighting Improvements | 6,500 | | 6,500 | | | 6,500 | - | 6,500 | - | - | Projects indentified with procurement work ongoing. |
| | Bedale Craft Yard Render | 6,000 | (1,290) | 4,710 | | | 4,710 | - | 4,710 | (1,290) | - | Quote obtained for the work is under budget by £1,290. Part of the underspend will be used to fund the overspend on the Workspace Renewal Scheme of £870 and the remaining £420 will be returned to the fund. |
| | Workspace Renewal Scheme | 6,000 | 870 | 6,870 | | | 6,870 | - | 6,870 | 870 | - | There is an overspend on this scheme of £870 as some additional fencing work is required. The overspend will be funded from the underspend from the Bedale Craft Yard Render scheme. |
| | Dalton Bridge Voluntary Contribution Business | 78,989 | | 78,989 | 78,989 | | - | 60,408 | 78,989 | - | - | The new bridge and highway opened to traffic on the 25th June 2018. Post road opening works are on-going during July and August including demolition of the existing bridge and final diversion on BT cables, awaiting invoices. |
| **Cllr Webster** | | | | | | | | | | | | |
| | Disabled Facilities Grant | 720,747 | | 720,747 | 650,747 | | 70,000 | 98,412 | 720,747 | - | - | Schemes are progressing with major applications currently under review. |
| | **Total Scheme Value Economy & Planning** | **2,344,084** | **(4,920)** | **2,339,164** | **1,364,736** | **-** | **974,428** | **384,433** | **2,339,164** | **(4,920)** | **-** | |
| | | | | | | | | | | | | |
| **Cllr Mrs Sanderso** | **Finance** | | | | | | | | | | | |
| | ICT Improvements 2018/19 | 337,020 | (10,000) | 327,020 | | | 327,020 | 51,712 | 327,020 | (10,000) | - | Projects ongoing, major refresh project tender underway with contract award expected Mar 19 with invoices to be paid. Request roll forward of £10,000 for telephony equiptment to 2019/20 as renewal requirements slower than expected. |
| | ICT - Civica Icon Upgrade from V14 to V16 | 5,310 | | 5,310 | | | 5,310 | - | 5,310 | - | - | Point to Point encryption module delayed from upgrade project in 2017/18. Expected completion Qtr 3. |
| | ICT COA Upgrade V5.0 | 2,012 | (2,012) | - | | | - | - | - | (2,012) | - | Project completed in Qtr 2 with no further invoices to be paid. Return to fund £2,012. |
| | ICT - Gladstone GDPR compliance | 5,490 | | 5,490 | | | 5,490 | 5,490 | 5,490 | - | - | Project Complete |
| | ICT Leisure Improvements | - | 6,000 | 6,000 | | | 6,000 | 4,991 | 6,000 | 6,000 | - | Project complete. Awating final invoice of £430. |

Capital Programme Schemes 2018/19 Annex A

| Councillor / Officer | Capital Scheme | Budget Approved at Qtr 1 | Qtr 2 | Qtr2 + 2018/19 | Third Party Contn | Third Party Cont Qtr 2 | Cost to the Council £ | Expenditure at 30th September 2018 | Anticipated Expenditure Year End | Variance | Change in Funding Taken / (Returned) Capital Reserve | Explanation |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | ICT Customer Excellence | 35,262 | (6,977) | 28,285 | | | 28,285 | 8,187 | 28,285 | (6,977) | - | £6,000 moved to Leisure ICT Improvments. £977 to return to fund for project hardware procured under budget. Project expected to be completed in Qtr 4. |
| | ICT Council Chamber | 9,334 | | 9,334 | | | 9,334 | 3,119 | 9,334 | - | - | Visual equiptment installed in some meeting rooms with the Council Chamber improvments to be procured during Qtr 3 and estimated completion Qtr 4. |
| | ICT- Leisure Management System | 12,150 | | 12,150 | | | 12,150 | - | 12,150 | - | - | Work ongoing to import information onto existing system before upgrade is purchased. |
| | ICT - Northgate Server Upgrade | 4,000 | | 4,000 | | | 4,000 | 3,000 | 4,000 | - | - | Two of the three improvements have been completed, work ongoing. |
| | ICT - GovTech | - | 24,800 | 24,800 | | | 24,800 | - | 24,800 | 24,800 | - | GovTech software digitalisation improvement scheme to be implemented by December 2018. |
| | ICT - Govemetric Customer Satisfaction Upgrade | 2,454 | | 2,454 | | | 2,454 | 780 | 2,454 | - | - | Phased project, further expenditure expected Qtr 3. |
| | **Total Scheme Value Finance** | **413,032** | **11,811** | **424,843** | **-** | **-** | **424,843** | **77,279** | **424,843** | **11,811** | **-** | |
| **Cllr Wilkinson** | **Economic Development Fund** | | | | | | | | | | | |
| | Dalton Bridge EDF Improvement Infrastructure | 147,078 | | 147,078 | | | 147,078 | 99,137 | 147,078 | - | - | The new bridge and highway opened to traffic on the 25th June 2018. Post road opening works are on-going during July and August including demolition of the existing bridge and final diversion on BT cables, awaiting invoices. |
| | Market Towns Investment Plans - Bedale | 14,000 | | 14,000 | | | 14,000 | - | 14,000 | - | - | On-going work in Bedale, largely focused on promotional work and events with the local business network 'Brand Bedale'. Further scheme development in the year. |
| | Market Towns Investment Plans - Easingwold | 14,000 | | 14,000 | | | 14,000 | - | 14,000 | - | - | Currently working with the Town Council and business network #woldclass on the Digital Vibrancy of town centre businesses. Further scheme development in the year. |
| | Market Towns Investment Plans - Northallerton | 14,000 | (3,000) | 11,000 | | | 11,000 | 2,000 | 11,000 | (3,000) | - | Request move of £3,000 to revenue fund of the Economic Development Fund to support a one-off project. Shop window wraps project due to be delivered in September. Also working on a Northallerton Town Design Guide in partnership with Northallerton BID. |
| | Market Towns Investment Plans - Stokesley | 14,000 | | 14,000 | | | 14,000 | - | 14,000 | - | - | Looking for opportunities to work in partnership with local stakeholders. Further scheme development in the year. |
| | Market Towns Investment Plans - Thirsk | 14,000 | | 14,000 | | | 14,000 | - | 14,000 | - | - | Shop window wraps project due to be delivered in September - awaiting invoices |

**Capital Programme Schemes 2018/19** **Annex A**

| Councillor / Officer | Capital Scheme | Budget Approved at Qtr 1 | Qtr 2 | Qtr2 + 2018/19 | Third Party Contn | Third Party Cont Qtr 2 | Cost to the Council £ | Expenditure at 30th September 2018 | Anticipated Expenditure Year End | Variance | Change in Funding Taken / (Returned) Capital Reserve | Explanation |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Industrial Estates/Employment land | 94,387 | | 94,387 | | | 94,387 | 1,500 | 94,387 | - | - | Initial high level feasibility, market demand and financial viability work has been completed and reported to the Local Plan Member Working Group and Management Team |
| | Industrial Park Review | 150,000 | (150,000) | - | | | - | - | - | (150,000) | - | Request roll forward into 2019/20. Project still in development. |
| | **Total Scheme Value EDF** | **461,465** | **(153,000)** | **308,465** | **-** | **-** | **308,465** | **102,637** | **308,465** | **(153,000)** | **-** | |
| **Cllr Wilkinson** | **Corporate Schemes** | | | | | | | | | | | |
| | Dalton Bridge BID Payment | 552,183 | | 552,183 | 552,183 | | - | 433,654 | 552,183 | - | - | The new bridge and highway opened to traffic on the 25th June 2018. Post road opening works are on-going during July and August including demolition of the existing bridge and final diversion on BT cables, awaiting invoices. |
| | Loan to Third Party Housing Association | 8,800,000 | | 8,800,000 | | | 8,800,000 | - | 8,800,000 | - | - | |
| | **Total Scheme Value Corporate Schemes** | **9,352,183** | **-** | **9,352,183** | **552,183** | **-** | **8,800,000** | **433,654** | **9,352,183** | **-** | **-** | |
| | **Total Capital Programme 2018/19** | **14,607,198** | **(133,034)** | **14,474,164** | **3,430,701** | **53,740** | **10,989,723** | **1,207,927** | **14,474,164** | **(133,034)** | **(53,740)** | |

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**Annex B**

**PROPOSED CHANGES TO THE CAPITAL PROGRAMME:**

1.1 The proposed changes to the capital programme, detailed for each of the portfolio areas are listed below:

1.2 Leisure and Environment – 9 schemes affect the capital programme at Quarter 2:

(a) Stokesley Leisure Centre – Re-design of reception area scheme of £33,900 requested to be rolled forward to 2019/20 to be progressed in consideration with other relation schemes such as the School Sports Hall

(b) Stokesley Leisure Centre – All Weather Pitch improvement scheme of £10,000 requested to be rolled forward to 2019/20 to be progressed in consideration with other relation schemes such as the School Sports Hall

(c) Stokesley Leisure Centre – Activity Room scheme of £20,000 requested to be rolled forward to 2019/20 to be progressed in consideration with other relation schemes such as the School Sports Hall

(d) All Leisure Centres – Pool Access scheme request of £20,000 to enable disable access to all leisure centres pools.

(e) Forum – Capital repairs scheme request of roll back of £24,000 from 2020/21 to undertake electrical wiring at the Forum.

(f) Bedale Public Art – Small overspend of £235 requested for this scheme

(g) Thirsk & Sowerby Sports Village – request of additional £46,758 funded from S106.

(h) CCTV Camera at North End Northallerton scheme of £6,982 requested from Northallerton BID who has fully contributed towards the scheme costs.

(i) Waste and Street Scene: Bridge End House urgent repairs scheme of £21,000 is requested to be rolled forward to 2019/20 for a full review of requirements of the site.

1.3 Economy and Planning – 4 schemes affect the capital programme at Quarter 2:

(a) Boundary Signs – request of £5,000 to install additional signs on the A1.

(b) Bedale Craft Yard – schemes is underspent by £1,290 which £870 is requested to be used to cover overspend in the Workspace Renewal scheme due to additional fencing required and the balance of £420 is to be returned to fund.

(c) Community Investment Scheme - £9,500 no longer required for the investment scheme and is requested to be returned to fund.

(d) Workspace Renewal Scheme – slight overspend of £870 due to additional fencing work required which is requested to be covered from underspends from the Bedale Craft Yard scheme.

1.4 Finance and Resources - 5 schemes affect the capital programme at Quarter 2:

(a) ICT improvements 2018/19 - £10,000 is requested to be rolled forward to 2019/20 since the renewal requirement for telephony equipment uptake has been slower than expected.

(b) ICT – COA upgrade v5.0 – scheme completed a return to fund of £2,012.

(c) ICT – Leisure Improvements – scheme funded from ICT Customer Excellence of £6,000 for content management system.

(d) ICT – Customer Excellence – scheme funding Leisure ICT Improvements of £6,000 and £977 to be returned to fund.

(e) ICT - GovTech scheme requested of £24,800 to improve digitalisation of the Revenues and Benefits section.

1.5 Economic Development Fund - 2 schemes affect the capital programme at Quarter 2:

(a) Economic Development Market Towns Investment Plans – request of £3,000 to be moved from the capital programme to the revenue fund of the Economic Development fund for shop window wraps and Northallerton Town Design guide in partnership with the Northallerton BID.

(b) Industrial Park Review – Request of £150,000 to be rolled forward to 2019/20 since project is still in development.

1.6 Corporate Schemes –there are no schemes affected in the capital programme at Quarter 2:

1.7 Capital schemes are monitored on a monthly basis and reported to Cabinet quarterly, ensuring that the majority of schemes are held within budget or reported to Council at the earliest opportunity.

1.8 New schemes added to the capital programme all have supporting Project Initiation Documentation (pids) to ensure projects are affordable, sustainable and prudent.

**ANNEX C**

## TREASURY MANAGEMENT POSITION 2018/19 – MID YEAR REVIEW & QUARTER 2 UPDATE

### 1.0 LEGISLATIVE REQUIREMENT

1.1 In December 2017, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued revised Prudential and Treasury Management Codes. As from 2019/20, all local authorities will be required to prepare a Capital Strategy which is intended to provide the following:-

- a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how associated risk is managed
- the implications for future financial sustainability

The Capital Strategy report will be published with the 10-Year Capital Programme for 2019/20 in February 2019.

1.2 The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.

1.3 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

1.4 Accordingly, treasury management is defined as:

"The management of the local authority's borrowing, investments and cash flows, its banking, money market transactions and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

1.5 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2017) was adopted by the Council.

The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.

2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.

3. Receipt by the full Council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-year Review Report and an Annual Report (stewardship report) covering activities during the previous year.

4. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.

5. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is Scrutiny committee:

This mid-year report therefore ensures this Council is implementing best practice in accordance with the code and covers the following:

- An economic update for the first part of the 2018/19 financial year;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Council's capital expenditure, as set out in the Capital Strategy, and prudential indicators;
- A review of the Council's investment portfolio for 2018/19;
- A review of the Council's borrowing strategy for 2018/19;
- A review of any debt rescheduling undertaken during 2018/19;
- A review of compliance with Treasury and Prudential Limits for 2018/19.

1.6 The regulatory environment places responsibility on Members for the review and scrutiny of Treasury Management policy and activities. This Mid-Year report therefore:-

(a) updates Members on the current Treasury Management position

1.7 The Treasury Management Strategy Statement (TMSS) for 2018/19 was approved by this Council on 27 February 2018, there are no policy changes to the TMSS.

1.8 The Council's capital expenditure plans at Quarter 2 are financed by external grants or contributions, capital receipts received in the year, capital reserves or borrowing.

1.9 The Council continues to have an underlying need to borrow for capital purposes and has external borrowing of £1,200,000 which was undertaken in September 2016 from the Public Works Loan Board at a rate of 1.05% over 5 years.

1.10 The capital financing requirement in 2018/19, which is the amount of borrowing required to support the capital expenditure programme, is set at £36,200,000. The capital expenditure of the Council is mainly supported by grants, contributions and reserves. The capital financing requirement refers to the amount of borrowing that could be taken to support the capital expenditure programme.

1.11 The following table shows the treasury management position as at 30 September 2018:-

| | **30 Sept 18 £000's** | **Rate %** |
|---|---|---|
| **Capital Financing Requirement** | 36,200 | |
| **Borrowing** | 1,200 | 1.05 |
| **Investments** | 6,430 | 0.53 |

Table 1: Borrowing and Investment position at 30 September 2018

1.12 The table shows that changes in the capital expenditure programme only affects the treasury management position through the surplus funds that are available to the Council to invest, to earn investment income.

## 2.0 THE ECONOMY, INTEREST RATES AND TREASURY MANAGEMENT STRATEGY:

2.1 The economic background and interest rate forecast, which sets the environment in which the Council's treasury management operates, is attached at Annex D.

## 3.0 ANNUAL INVESTMENT STRATEGY 2018/19 – QUARTER 2:

3.1 **Investment Policy** – the Council's investment policy is governed by the Department for Communities and Local Government guidance, which was implemented in the Treasury Management Strategy Statement (TMSS) for 2018/19, and includes the Annual Investment Strategy approved by Cabinet on 6 February 2018. It sets out the Council's investment priorities as being:

- Security of capital;
- Liquidity;
- Yield

3.2 The Council's priority is security of its surplus funds when investing with financial institutions. However the Council will always aim to achieve the optimum return (yield) on investments in line with its risk appetite and which is commensurate with proper levels of liquidity and security. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months. Investment are placed with highly credit rated financial institutions, using the Council's treasury Management advisers – Capita Asset Services - suggested creditworthiness approach including sovereign credit rating and Credit Default Swap (CDS) overlay information provided by Capita Asset Services.

3.3 **Investments held by the Council** – The Council held £6,430,000 of investments as at 30 September 2018 and the investment portfolio yield for the first 6 months of the year is 0.53%.

3.4 The average level of funds available for investment purposes during Quarter 2 – 30 September 2018 - was £6,227,978. The level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme. The Council held £6,430,000 cash flow movement balances on 30 September 2018 due to the numerous capital projects that are currently ongoing within the council.

3.5

| Benchmark | Benchmark Return | CouncilPerformance | Investment Interest Earned |
|---|---|---|---|
| **7 day** | 0.44% | 0.53 | £16,472 |

Table 2: Investment performance for Quarter 2 at 30 September 2018

3.6 The table shows that the Council monitors its cash flow investments against the 7 day rate. The Council outperformed the 7 day benchmark by 0.09%.

3.7 The Council's budgeted investment return for 2018/19 was approved at £8,000. This was increased by £15,000 in Quarter 1 to £23,000. This was due to the rise in interest rates available to the Council for investment. In Quarter 2 monitoring it has been reported that due to the Bank of England base rate rise in August 2018 the interest rates available to the Council have increased again, resulting in an estimated £12,000 additional income making the budget £35,000. This will be closely monitored throughout the year.

## 4.0 BORROWING 2018/19 – MID YEAR REVIEW & QUARTER 2 UPDATE

4.1 The Council has £1,200,000 of long term borrowing with the Public Works Loan Board (PWLB) which is due to be repaid in September 2021.

4.2 The table below shows the Public Works Loans Board interest rates which were available for loans during Quarter 2 of 2018/19. The Public Works Loans Board is the mechanism by which the Government allows local authorities to borrow at slightly lower interest rates than are available to other institutions. Certainty rates, as detailed in the table, are interest rates available to local authorities if they inform the Government of their borrowing requirements and are 0.02% (or 20 basis points) below Public Works Loans Board rates. This was introduced by the Government in October 2012. The Public Work Loans Board rates have not been on any consistent trend during the period.

| | **1 Year** | **5 Year** | **10 Year** | **25 Year** | **50 Year** |
|---|---|---|---|---|---|
| Low | 1.28% | 1.67% | 2.09% | 2.50% | 2.25% |
| Date | 01/06/2018 | 29/05/2018 | 20/07/2018 | 20/07/2018 | 29/05/2018 |
| High | 1.57% | 1.99% | 2.43% | 2.83% | 2.64% |
| Date | 17/04/2018 | 25/09/2018 | 25/04/2018 | 25/09/2018 | 25/09/2018 |
| Average | 1.46% | 1.84% | 2.25% | 2.64% | 2.41% |

Table 3: Public Works Loan Board (PWLB) certainty rates, quarter ended 30 September 2018

4.3 **Treasury Borrowing** – Due to the overall financial position and the underlying need to borrow for capital purposes, external borrowing of £1,200,000 was undertaken in September 2016 from the Public Works Loan Board at a rate of 1.05% over 5 years. The Council did not undertake any new borrowing during Quarter 2, 2018/19.

4.4 It is anticipated that further borrowing will be required in Quarter 4 of 2018/19 to support the overall Capital Programme.

4.5 **Rescheduling of Borrowing** – the Council had no debt that could be rescheduled in Quarter 2 of 2018/19 under the regulations.

4.6 **Repayment of Borrowing** – the Council did not have any borrowing to repay during Quarter 2 of 2018/19

## 5.0 COMPLIANCE WITH PRUDENTIAL AND TREASURY INDICATORS:

5.1 It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved Treasury and Prudential Indicators (affordability limits) were approved in the Treasury Management Strategy Statement by Council on 27 February 2018 and are in compliance with the Council's Treasury Management Practices. No changes have been made or are required to be made in the first six months of 2018/19 to the Prudential and Treasury Indicators that were set prior to the beginning of the financial year.

5.2 During the financial year to date the Council has operated within the Treasury and Prudential Indicators approved which are attached at Annex E.

5.3 Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the quarter ended 30 September 2018.

## 6.0 OTHER

### 6.1 UK banks – ring fencing

The largest UK banks, (those with more than £25bn of retail / Small and Medium-sized Enterprise (SME) deposits), are required, by UK law, to separate core retail banking services from their investment and international banking activities by 1st January 2019. This is known as "ring-fencing". Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt up. Several banks are very close to the threshold already and so may come into scope in the future regardless.

Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and SME deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure. In general, simpler, activities offered from within a ring-fenced bank, (RFB), will be focused on lower risk, day-to-day core transactions, whilst more complex and "riskier" activities are required to be housed in a separate entity, a non-ring-fenced bank, (NRFB). This is intended to ensure that an entity's core activities are not adversely affected by the acts or omissions of other members of its group.

While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not. The Council will continue to assess the new-formed entities in the same way that it does others and those with sufficiently high ratings, (and any other metrics considered), will be considered for investment purposes.

### 6.2 IFRS9 accounting standard

This accounting standard came into effect from 1st April 2018. It means that the category of investments valued under the available for sale category will be removed and any potential fluctuations in market valuations may impact onto the Surplus or Deficit on the Provision of Services, rather than being held on the balance sheet. This change is unlikely to materially affect the commonly used types of treasury management investments but more specialist types of investments, (e.g. pooled funds, third party loans, commercial investments), are likely to be impacted. The impact for the Council is likely to be very little in 2018/19.

The Ministry of Housing, Communities and Local Government (MHCLG), are currently conducting a consultation for a temporary override to allow English local authorities time to adjust their portfolio of investments. Members will be updated when the result of this consultation is known.

### 6.3 Changes in risk appetite

The 2018 CIPFA Capital and Treasury Management Codes and guidance notes have placed enhanced importance on risk management. Where an authority changes its risk appetite e.g. for moving surplus cash into or out of certain types of investment funds or other types of investment instruments, this change in risk appetite and policy will be brought to members' attention in treasury management update reports.

**ANNEX D**

**Economic Update**

**United Kingdom**. The first half of 2018/19 has seen UK economic growth post a modest performance, but sufficiently robust for the Monetary Policy Committee, (MPC), to unanimously (9-0) vote to increase Bank Rate on 2nd August from 0.5% to 0.75%. Although growth looks as if it will only be modest at around 1.5% in 2018, the Bank of England's August Quarterly Inflation Report forecast that growth will pick up to 1.8% in 2019, albeit there were several caveats – mainly related to whether or not the UK achieves an orderly withdrawal from the European Union in March 2019.

Some Monetary Policy Committee members have expressed concerns about a build-up of inflationary pressures, particularly with the pound falling in value again against both the US dollar and the Euro. The Consumer Price Index (CPI) measure of inflation rose unexpectedly from 2.4% in June to 2.7% in August due to increases in volatile components, but is expected to fall back to the 2% inflation target over the next two years given a scenario of minimal increases in Bank Rate. The Monetary Policy Committee has indicated Bank Rate would need to be in the region of 1.5% by March 2021 for inflation to stay on track. Financial markets are currently pricing in the next increase in Bank Rate for the second half of 2019.

As for the labour market, unemployment has continued at a 43 year low of 4% on the Independent Labour Organisation measure. A combination of job vacancies hitting an all-time high in July, together with negligible growth in total employment numbers, indicates that employers are now having major difficulties filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to 2.9%, (3 month average regular pay, excluding bonuses) and to a one month figure in July of 3.1%. This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 0.4%, near to the joint high of 0.5% since 2009. (The previous high point was in July 2015.)

Given the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. This tends to confirm that the Monetary Policy Committee were right to start on a cautious increase in Bank Rate in August as it views wage inflation in excess of 3% as increasing inflationary pressures within the UK economy. However, the MPC will need to tread cautiously before increasing Bank Rate again, especially given all the uncertainties around Brexit.

In the political arena, there is a risk that the current Conservative minority government may be unable to muster a majority in the Commons over Brexit. However, Link Asset Services central position is that Prime Minister May's government will endure, despite various setbacks, along the route to Brexit in March 2019. If, however, the UK faces a general election in the next 12 months, this could result in a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.

**USA.** President Trump's massive easing of fiscal policy is fuelling a (temporary) boost in consumption which has generated an upturn in the rate of strong growth which rose from 2.2%, (annualised rate), in quarter 1 to 4.2% in quarter 2, but also an upturn in inflationary

pressures. With inflation moving towards 3%, the Fed increased rates another 0.25% in September to between 2.00% and 2.25%, this being four increases in 2018, and indicated they expected to increase rates four more times by the end of 2019. The dilemma, however, is what to do when the temporary boost to consumption wanes, particularly as the recent imposition of tariffs on a number of countries' exports to the US, (China in particular), could see a switch to US production of some of those goods, but at higher prices. Such a scenario would invariably make any easing of monetary policy harder for the Fed in the second half of 2019.

**EUROZONE.** Growth was unchanged at 0.4% in quarter 2, but has undershot early forecasts for a stronger economic performance in 2018. In particular, data from Germany has been mixed and it could be negatively impacted by US tariffs on a significant part of manufacturing exports e.g. cars. For that reason, although growth is still expected to be in the region of 2% for 2018, the horizon is less clear than it seemed just a short while ago.

**CHINA**. Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems.

**JAPAN** - has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

**INTEREST RATE FORECAST**

The Council's treasury advisor, Link Asset Services, has provided the following forecast:

| Link Asset Services Interest Rate View | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Sep-18 | Dec-18 | Mar-19 | Jun-19 | Sep-19 | Dec-19 | Mar-20 | Jun-20 | Sep-20 | Dec-20 | Mar-21 |
| Bank Rate View | 0.75% | 0.75% | 0.75% | 0.75% | 1.00% | 1.00% | 1.00% | 1.25% | 1.25% | 1.50% | 1.50% |
| 3 Month LIBID | 0.75% | 0.80% | 0.80% | 0.90% | 1.10% | 1.10% | 1.20% | 1.40% | 1.50% | 1.60% | 1.60% |
| 6 Month LIBID | 0.85% | 0.90% | 0.90% | 1.00% | 1.20% | 1.20% | 1.30% | 1.50% | 1.60% | 1.70% | 1.70% |
| 12 Month LIBID | 1.00% | 1.00% | 1.00% | 1.10% | 1.30% | 1.30% | 1.40% | 1.60% | 1.70% | 1.80% | 1.80% |
| 5yr PWLB Rate | 2.00% | 2.00% | 2.10% | 2.20% | 2.20% | 2.30% | 2.30% | 2.40% | 2.50% | 2.50% | 2.60% |
| 10yr PWLB Rate | 2.40% | 2.50% | 2.50% | 2.60% | 2.70% | 2.70% | 2.80% | 2.90% | 2.90% | 3.00% | 3.10% |
| 25yr PWLB Rate | 2.80% | 2.90% | 3.00% | 3.10% | 3.10% | 3.20% | 3.30% | 3.30% | 3.40% | 3.50% | 3.50% |
| 50yr PWLB Rate | 2.60% | 2.70% | 2.80% | 2.90% | 2.90% | 3.00% | 3.10% | 3.10% | 3.20% | 3.30% | 3.30% |

Table 4: Interest Rate Forecasts

The flow of generally positive economic statistics after the end of the quarter ended 30 June meant that it came as no surprise that the Monetary Policy Committee came to a decision on 2 August 2018 to make the first increase in Bank Rate above 0.5% since the financial crash, to 0.75%. However, the Monetary Policy Committee emphasised again, that future Bank Rate increases would be gradual and would rise to a much lower equilibrium rate, (where monetary policy is neither expansionary of contractionary), than

before the crash; indeed they gave a figure for this of around 2.5% in ten years' time but they declined to give a medium term forecast.

Link Asset Services do not think that the Monetary Policy Committee will increase Bank Rates in February 2019, ahead of the deadline in March for Brexit. They also feel that the Monetary Policy Committee is more likely to wait until August 2019, than May 2019, before the next increase, to be followed by further increases of 0.25% in May and November 2020 to reach 1.5%. However, the cautious pace of even these limited increases is dependent on a reasonably orderly Brexit.

**The balance of risks to the UK**

- The overall balance of risks to economic growth in the UK is probably neutral.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are broadly dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

**ANNEX E**

## PRUDENTIAL AND TREASURY MANAGEMENT INDICATORS

It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits – the Authorised Limit and the Operational Boundary - as detailed below. The Council approved the Treasury and Prudential Indicators (affordability limits), for the 2018/19 financial year at Council on 27 February 2018 in the Treasury Management Strategy Statement.

The main purpose of the indicators is to control how much a Council needs to borrow.
In 2018/19, The Treasury Management Strategy Statement approved the capital financing requirement at £36.2 million which gives the Council the ability to either use surplus funds to support the capital expenditure for the loan to a local Housing Association or to take external borrowing.

The Prudential and Treasury Indicators are detailed below as approved at Council prior to the beginning of the 2018/19 financial year – Original Budget - and at Quarter 2 Actual:

| **1. PRUDENTIAL INDICATORS** | **2018/19** | **2018/19** |
|---|---|---|
| **Extract from budget and rent setting report** | **Original Budget** | **Actual Q2** |
| | **£'000** | **£'000** |
| **Capital Expenditure** | 13,865 | 14,474 |
| | | |
| **Ratio of financing costs to net revenue stream** | Nil | Nil |
| | | |
| **Net borrowing requirement General Fund** | | |
| brought forward 1 April | 11,900 | 1,200 |
| carried forward 31 March | 22,000 | 1,200 |
| in year borrowing requirement | 10,100 | 0 |
| | | |
| **Capital Financing Requirement 31 March 2019** | 36,200 | 36,200 |
| | | |
| **Incremental impact of capital investment decisions** | £ | £ |
| Increase in Council Tax (band D) per annum | Nil | Nil |

| **2. TREASURY MANAGEMENT INDICATORS** | **2018/19** | **2018/19** |
|---|---|---|
| | **Original Budget** | **Actual Q2** |
| | **£'000** | **£'000** |
| **Authorised Limit for external debt -** | | |
| borrowing | £40,000 | £40,000 |
| other long term liabilities | £1,000 | £1,000 |
| TOTAL | £41,000 | £41,000 |
| | | |
| **Operational Boundary for external debt -** | | |
| borrowing | £39,000 | £39,000 |
| other long term liabilities | £600 | £600 |
| TOTAL | £39,600 | £39,600 |
| | | |
| **Actual external debt** | £22,000 | £1,200 |
| | | |

| | | |
|---|---|---|
| **Upper Limit on fixed interest rates based on net debt** | 104% | 104% |
| | | |
| **Upper Limit on variable interest rates based on net debt** | -4% | -4% |
| | | |
| **Upper limit for total principal sums invested for over 365 days** (per maturity date) | £1,000 | £1,000 |

| **Maturity structure of fixed rate borrowing during 2018/19** | **Lower limit** | **Upper limit** |
|---|---|---|
| **Under 12 months** | 0% | 100% |
| **12 months to 2 years** | 0% | 100% |
| **2 years to 5 years** | 0% | 100% |
| **5 years to 10 years** | 0% | 100% |
| **10 years to 20 years** | 0% | 100% |
| **20 years to 30 years** | 0% | 100% |
| **30 years to 40 years** | 0% | 100% |
| **40 years to 50 years** | 0% | 100% |

**HAMBLETON DISTRICT COUNCIL**

**Report To:** Cabinet
4 December 2018

**Subject:** **2018/19 QUARTER 2 REVENUE MONITORING REPORT**

**All Wards**

**Portfolio Holder for Economic Development and Finance: Councillor P R Wilkinson**

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## 1.0 PURPOSE AND BACKGROUND:

1.1 The purpose of this report is to update Members on the revenue budget position of the Council and the reserve funds at the end of September 2018.

1.2 The Quarter 2 monitoring for the Capital Programme and Treasury Management position is contained in a separate report on this Cabinet agenda.

1.3 This report focuses on three key areas:-

(a) Changes to the revenue budget
(b) Additional grant income received
(c) Reserve funds

## 2.0 REVENUE BUDGET:

2.1 The Council set its budget on 6 February 2018 for 2018/19 at £8,096,170 in line with the approved Financial Strategy 2018/19 to 2027/28.

2.2 At Cabinet on 4 September 2018, the Quarter 1 revenue monitoring report kept the budget at £8,096,170 but recognised that a £213,290 shortfall would be covered within the year from additional income or reduced expenditure. The approved budget at Quarter 1 in accordance with the Council portfolio themes is detailed below:

| | £ |
|---|---|
| Leisure and Environment | 5,209,350 |
| Economy and Planning | 1,533,890 |
| Finance | 24,170 |
| Law and Governance | 1,208,080 |
| Drainage Board levies | 120,680 |
| **Net Revenue Expenditure** | **8,096,170** |

## 3.0 BUDGET POSITION TO SEPTEMBER 2018:

3.1 Since the budget for 2018/19 was set in February 2018, adjustments to the budget outlook have occurred. The table below details the changes that have been approved through separate reports to Cabinet and also those that have been identified and are recommended to this Cabinet for approval at budget monitoring Quarter 2:

| | 2018/19<br>£ | 2019/20<br>£ | 2020/21<br>£ | 2021/22<br>£ |
|---|---|---|---|---|
| Budget Outlook approved at Q1 4th September 2018 | 8,096,170 | 8,096,170 | 8,025,612 | 8,449,416 |
| **Changes to budget outlook:** | | | | |
| Inflation – salaries and contracts | - | 179,192 | 170,000 | 190,000 |
| Back funded pension (NYCC) | - | - | 21,900 | 25,000 |
| Insurance fund | - | 22,638 | 24,902 | 30,000 |
| Increase in Net Investment Income | - | (74,400) | - | - |
| Fees and Charges | - | (117,592) | (120,000) | (125,000) |
| Savings Exercise | - | (55,000) | - | - |
| Route Optimisation | - | (105,461) | - | - |
| **Quarter 1 Variances:** | | | | |
| Corporate Costs Increases | 69,610 | 88,800 | | - |
| Departmental Movements | 143,680 | 1,990 | 59,400 | - |
| **Quarter 2 Variances:** | | | | |
| Corporate Cost Saving | (40,000) | 40,000 | - | - |
| Budget Savings Exercise | (145,850) | 145,850 | - | - |
| Significant Departmental Movement | 135,920 | - | - | - |
| Additional Budget Responsibilities | - | - | 267,602 | 170,251 |
| Savings or additional income requirements in Quarters 3 and 4 | (163,360) | (196,575) | - | - |
| **Budget Outlook Q2** | 8,096,170 | 8,025,612 | 8,449,416 | 8,739,667 |
| **Financial Strategy 6 Feb 2018** | 8,096,170 | 8,025,612 | 8,453,726 | 8,739,834 |
| **Budget Outlook Q2 Surplus / (Shortfall)** | - | - | 4,310 | 167 |

3.2 In 2018/19 the budget started at £8,096,170 as stated in the Financial Strategy. At the end of Quarter 1, the budget remained at £8,096,170 but recognised that a £213,290 shortfall would be covered within the year from additional income or reduced expenditure. At Quarter 2 the table shows the budget again remaining at £8,096,170, however the Quarter 2 monitoring has highlighted various under and overspends totalling £49,930 of savings. This can be used to offset the reported shortfall at Quarter 1 of £213,290 resulting in £163,360 remaining to be covered from additional income or reduced expenditure in the second half of the year.

3.3 An explanation of the Quarter 2 variances to be approved in this Cabinet report are detailed below where there are four main areas of change to the 2018/19 budget at Quarter 2 totalling the £49,930 underspend:

(a) Corporate Cost savings of £40,000

(b) Budget Savings Exercise of £145,850

(c) Significant Departmental Movement resulting in an overspend of £135,920

(d) Department movements which have nil effect on the budget but exceed £20,000 and therefore require Cabinet approval as stated in the Council's financial regulations.

3.4 The Corporate Cost movements in the budget are:

(i) a corporate Salary Savings exercise analysing vacant posts which has resulted in a £59,500 saving in Quarter 2 which added to the £94,780 savings identified in Quarter 1 results in a total to date in 2018/19 of £154,280.

(ii) During Quarter 2 a number of office moves and improvements have occurred and additional work is planned in the remainder of the year. The estimated additional expenditure is £20,520.

(iii) During the first half of the year £5,660 has been required for Health and Safety Improvements at a number of the Council's buildings.

(iv) During 2018/19 new legislation regarding Environmental Licences comes into force where establishments may be able to acquire one, two or three year licences dependant on criteria being met. This will create an additional £6,680 of income in 2018/19.

3.5 As reported at Quarter 1 an exercise has been carried out to identify savings and efficiencies across the council, this has resulted in £145,850 of savings for 2018/19. The largest savings from the exercise are detailed as follows:

(i) A review of the effects of the gym project at Northallerton Leisure Centre has resulted in increased income from new memberships and a reduction in the anticipated expenditure totalling a £36,250 underspend.

(ii) The sale of waste bins to new properties in the district has increased income by £21,000 as a result of increased demand from new developments in the district.

(iii) A delay in acquiring a new waste vehicle in 2018/19 has resulted in a saving of £36,000 for the year.

(iv) The interest rate rise from 0.5% to 0.75% in August 2018 has resulted in higher interest rates available for the Council's surplus funds increasing the investment income by £12,000.

(v) The increase of new housing developments in the District has created additional applications for street naming and numbering, this has the effect of a net estimated income of £5,170.

(vi) The warm summer has resulted in an increased amount of requests to treat wasps nests this is estimated to increase the income by £5,600.

(vii) Other smaller amounts identified during the detailed savings exercise totals £29,830 of savings.

3.6 Significant Departmental movements of £135,920 include the following:-

(i) A reduction of the basket price available for the kerbside recycling and reduced tonnages collected within the contract has resulted in an estimated £135,920 overspend.

3.7 Departmental budget movements that have nil effect on the overall budget but exceed £20,000, as detailed in the Council's Financial Regulations require Cabinet approval as follows:

a) The planning advice and pre-planning advice are currently identified separately within the budget, it is requested to combine the two advices together therefore transferring £37,490 from pre-application advice to planning advice.

b) There has been detailed work to review all salaries at leisure centres to reflect the correct establishments in budgets and a transfer of £20,000 is requested between Northallerton Leisure Centre to Thirsk and Sowerby Leisure Centre in 2018/19.

c) Within Homelessness Prevention it has been identified that payments are being made through the Rent Bond Scheme rather than Grants therefore a budget adjustment is required to move £13,610 from Grants to the Rent Bond Scheme.

3.8 The revised changes to the budget at Quarter 2 result in a saving of £49,930. These are listed above and can be offset with the £213,290 overspend in Quarter 1. The remaining £163,360 will be identified from additional income or reduced expenditure in the second half of the year. Therefore in the recommendations section of this report for approval by Cabinet and Council, the original budget set at £8,096,170 will remain.

## 4.0 OTHER MATTERS - GRANTS

4.1 There have not been any grants and contributions allocated to the Council and paid into the One-Off Fund Reserve since the Quarter 1 budget was approved in September 2018.

## 5.0 SENSITIVITY ANALYSIS

5.1 Further to the recommendations for changes to the budget in this Quarter 2 monitoring report, this report also highlights where there are areas of budget uncertainty. This can give Members early warning of possible issues in the future. All areas will be monitored closely and an update provided for Quarter 3 as at this time there is too much uncertainty surrounding these figures to include them as an adjustment to the budget. Annex 'A' attached details the sensitivity analysis.

## 6.0 RESERVE FUNDING

6.1 The table below shows the position on the revenue reserves at Quarter 2 if the recommendations are approved in this Cabinet report. Further information is also described below.

| Reserve Fund | Balance at 30 June 2018 £ | Q2 Movement (from) / to Reserves £ | Balance at 30 Sept 2018 £ |
|---|---|---|---|
| **General Fund** | 2,000,000 | - | 2,000,000 |
| **Council Taxpayers Reserve** | 5,195,759 | - | 5,195,759 |
| **Grants Fund** | 141,834 | - | 141,834 |
| **Economic Development Fund** | 724,089 | 148,500 | 872,589 |
| **One-Off Fund** | 864,227 | (275,770) | 588,457 |
| **Computer Fund** | 740,141 | 4,189 | 744,330 |
| **Repairs and Renewal Fund** | 973,029 | - | 973,029 |
| **Community Safety Partnership** | 27,536 | - | 27,536 |
| **Swimming Project Reserve** | 97,871 | - | 97,871 |
| **Local Plan Reserve** | 79,626 | (35,250) | 44,376 |

| | | | |
|---|---|---|---|
| **Make a Difference Fund** | 188,801 | - | 188,801 |
| **North Northallerton Bridge Reserve** | 2,365,779 | - | 2,365,779 |
| **Community Housing Fund** | 180,231 | - | 180,231 |
| **Income Generating Fund** | 100,000 | - | 100,000 |
| **Total** | **13,678,923** | **(158,331)** | **13,520,592** |

6.2 Economic Development Fund – In Quarter 2, the opening balance which has not yet been committed was £724,089. There is a roll forward of £150,000 for the Industrial Park Review capital scheme to 2019/20 and a nil effect movement of £3,000 from the Northallerton Market Town Investment Plan capital scheme to support the Northallerton Market Town Investment Plan revenue scheme.

6.3 The net movements of the Economic Development Fund to be approved at Quarter 2 total £1,500 for further work in relation to the Northallerton Connections project.

6.4 No further funding has been allocated to future years' beyond 2018/19 in Quarter 2, and so leaves £580,199 remaining available to be allocated for future projects.

6.5 Council Taxpayers Reserve – the balance of the Council Tax Payer Reserve has not changed in Quarter 2 and is available to support revenue spending.

6.6 One-Off Fund - In Quarter 2, the initial balance is £864,227 during Quarter 2 there was no additional income to add to the One-Off Fund. Expenditure that has been allocated from the One-Off Fund in previous Cabinet reports totals £240,000 this includes the UCI World Cycling Championships of £200,000 and £40,000 for legal costs for a planning appeal. Further expenditure to be allocated from the One-Off Fund is detailed in the table below at £35,770. The balance on the One-off Fund at year end is estimated at Quarter 2 to be £588,547.

| **Expenditure in 2018/19 from the One-Off Fund** | **Amount** |
|---|---|
| District Election | 10,010 |
| Planning Appeals | 20,000 |
| Prison Archaeological Costs | 5,760 |
| **Total expenditure recommended for approval at Q2** | **35,770** |

6.7 At Quarter 2, is it recommended to Cabinet and Council that the allocation from the One-Off Fund at £35,770 is approved.

6.8 Computer Fund – At Quarter 2, £18,989 is to be returned to the fund to support future requirements whilst £10,000 in regards to ICT improvements is to be rolled forward to 2019/20. £24,800 is requested at Quarter 2 for a new project to support and digitalise the Revenues and Benefits service. The net movement of the Computer fund at Quarter 2 is £4,189.

6.9 Make a Difference Fund – the opening balance in Quarter 1 of £63,801 relates to projects brought forward from the 2017/18 programme of which £1,066 remains to be claimed, this project will be completed by the end of November 2018. £125,000 has been allocated in 2018/19 to the Make a Difference Grant programme. Successful awards will invest in worthy local community projects which help improve life in neighbourhoods and which support the work of the voluntary sector and will be expended by March 2019.

6.10 Local Plan Reserve – Expenditure allocated in Quarter 2 totals £35,250 leaving a balance of £44,376.

6.11 Other Reserves – There has been no movement on other reserves held by the Council at Quarter 2 2018/19. These revenue reserves will be monitored on an ongoing basis and any charges will be reported at Quarter 3.

## 7.0 VAT PARTIAL EXEMPTION

7.1 Further to the recommendations of the October 2018 Cabinet report the council continues to monitor the VAT Partial Exemption position for 2018/19 and the calculation currently shows the Council to be below the 5% de-minimis limit.

7.2 Following further calculations the Council is now also below the 7 year average for the VAT partial exemption calculation for 2017/18, therefore the Council does not have to make a payment to HMRC.

## 8.0 LINK TO COUNCIL PRIORITIES:

8.1 The monitoring of the financial budget throughout the year and reporting the financial year end position assists in ensuring the Council's service requirements are met and contributes to the achievement of the priorities set out in the Council Plan.

## 9.0 RISK ASSESSMENT:

9.1 There are no major risks associated with this report.

## 10.0 FINANCIAL IMPLICATIONS:

10.1 The financial implications are dealt with in the body of the report.

## 11.0 LEGAL IMPLICATIONS:

11.1 It is a legal requirement under s25 of the Local Government Act 2003 to set a balanced budget and monitor the financial position throughout the year.

## 12.0 EQUALITY/DIVERSITY ISSUES:

12.1 There are no specific equality implications to this report.

## 13.0 RECOMMENDATIONS:

13.1 That Cabinet approves and recommends to Council:

(1) the budget remains at £8,096,170 as detailed in paragraph 3.2;

(2) the allocation from the One-Off fund at paragraph 6.7 of £35,770; and

(3) the allocation of £1,500 from the Economic Development Fund at paragraph 6.3 and to note the remaining balance at paragraph 6.4 is £580,199.

LOUISE BRANFORD-WHITE
DIRECTOR OF FINANCE (S151 OFFICER)

**Background papers**: Budget Monitoring Q2 working papers

**Author ref:** SC

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**Annex A**

## Budget 2018/19 Sensitivity Analysis – potential savings / costs

| Portfolio Area | Area of Sensitivity | Commentary |
|---|---|---|
| Finance | Housing Benefit Payments | Whilst any increase in Housing Benefit payments will be partly offset by subsidy, the budget is so large that a small increase in percentage terms can lead to a large amount in monetary terms. |
| Economy and Planning | Planning Fees | This will continue to be closely monitored due to the estimated income being so high, it is currently estimated that the target will be reached. |
| | Workspace Management Income | A number of businesses have vacated Hambleton's workspaces for various reasons. This will continue to be closely monitored and reported at quarter 3 if there are empty units. |
| Leisure and Environment | Operational Services – Fuel Prices | This is being kept under review as prices are currently on the rise and any significant increase will require additional budget. |
| | Kerbside Recycling Contract | Basket price changes will affect the budget, the current basket price indicates an increase as reported this will continue to be closely monitored. |
| | Leisure Centres | Income at the leisure centres will continue to be closely monitored. Targets across the four centres are currently on target. |

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**HAMBLETON DISTRICT COUNCIL**

**Report To:** Cabinet
4 December 2018

**Subject:** **CAPITAL SCHEME - GROUND SOURCE HEAT PUMPS**

**All Wards**

**Portfolio Holder for Economic Development and Finance: Councillor P R Wilkinson**

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## 1.0 PURPOSE AND BACKGROUND:

1.1 To seek approval for investment in the installation of Ground Source Heat Pumps at Civic Centre and the Council's four leisure centres at Bedale, Northallerton, Stokesley and Thirsk Sowerby during 2019.

1.2 Cabinet previously approved a capital allocation for 2018/19 to assess current energy usage and investigate energy efficiency measures which could be introduced at the Council's facilities and to its infrastructure, with the aim of reducing energy consumption, using energy more efficiently, reducing our carbon footprint and securing Renewable Heat Incentive funding from the UK Government.

1.3 An initial assessment has been undertaken of Ground Source Heat Pump technology and how it might be utilised at the Council's five largest facilities , the Civic Centre and four leisure centres. This assessment indicates that the Council can through the introduction of Ground Source Heat Pump technology gain an income from the UK Government's Renewable Heat Incentive Scheme over a 20 year period and make revenue savings on expenditure on gas and electric energy consumption for the 20 years of the Renewable Heat Incentive and beyond.

## 2.0 GROUND SOURCE HEAT PUMP TECHNOLOGY AND RENEWABLE HEAT INCENTIVE

2.1 A Ground Source Heat Pump is an alternative means to provide heating and potentially cooling to buildings. It is a renewable heat source and a low carbon technology and can be used to replace traditional gas boilers. There is also potential to provide cooling from the same technology which could replace air conditioning units.

2.2 Ground Source Heat Pumps extract heat from the ground, the extracted heat is used to heat swimming pool water and circulating water in heating systems. A by-product of the process is cold water, there is potential for this to be used in a cooling system to provide cool air where currently air conditioning units are used.

2.3 The Renewable Heat Incentive is a UK Government Scheme to encourage uptake of renewable heat technologies amongst householders, communities and businesses. It is the first of its kind in the world and the UK Government expects the Renewable Heat Incentive to contribute towards the 2020 ambition of 12% of heating coming from renewable sources. The Renewable Heat Incentive provides owners of eligible installations, which includes Ground Source Heat Pump technology, with guaranteed quarterly payments based on heat produced for a period of 20 years.

2.4 The current Renewable Heat Incentive is time limited with projects under the scheme to be delivered by January 2020. There is some flexibility with a short overrun period available where schemes are delayed during installation due to unforeseen circumstances.

2.5 The financial terms of the current Renewable Heat Incentive are relatively generous and on the basis of the initial assessment provide good value to the Council. Based on previous renewable energy incentives offered by the UK Government, over time funding has reduced or been withdrawn.

2.6 Ground Source Heat Pump technology is more efficient and attached at Annex A is an assessment of associated risks with preventative action. Further updates will be provided to Members as the detail of the project develops. The technology allows less energy to be used than traditional gas boilers which provides the same amount of heat and results in a saving on expenditure to add to the income from the Renewable Heat Incentive.

2.7 Over the 20 year period of the Renewable Heat Incentive income from the scheme will cover the cost of the capital installation of the Ground Source Heat Pumps and there is projected to be a net surplus of Renewable Heat Incentive income and energy savings compared to capital expenditure and revenue operating expenditure, which meets the Council's invest to save criteria.

## 3.0 CURRENT POSITION AND NEXT STEPS:

3.1 The UK Government's Office for Gas and Electricity Markets in Great Britain (OFGEM) manages the Renewable Heat Incentive Scheme (RHI). OFGEM has indicated that the Council's proposed installation of Ground Source Heat Pumps at Civic Centre and the four leisure centres would be supported by the RHI scheme and currently they envisage that there will be sufficient budget to finance the RHI payments should the Council progress their applications for funding.

3.2 To secure the award of a tariff guarantee notice, that is a confirmed allocation of funding, the Council must submit to OFGEM the details of the proposed installations, a guarantee of availability of capital funding and information relating to the implementation and future maintenance of the GSHP installations.

3.3 The issue of a Tariff Guarantee Notice gives certainty to the Council that the Renewable Heat Incentive funding is available and will allow the Council to develop the detail of the Ground Source Heat Pump installation scheme without the uncertainty of possible changes in funding levels or withdrawal of funding.

3.4 The Renewable Heat Incentive applications will be made by the Council on the basis of its initial assessment. That assessment indicated that there are viable GSHP schemes for the Civic Centre and four leisure centres which meet the Council's invest to save criteria and which support the Council's priorities. Subject to the approval of Cabinet and Council information will be submitted to OFGEM to secure the award of a tariff guarantee notice. Subject to acceptance by OFGEM this will allow the Council to seek to procure specialist services to prepare the detail of each installation in relation to its design, purchase and, ultimately, its installation. The staged approach will allow assessment at key stages of the scheme preparation to ensure the continuing financial viability of the Ground Source Heat Pump installations and the scheme will only be progressed where it continues to meet those criteria.

3.5 To assist the Council in preparing to procure this specialist support it is necessary at this stage to appoint a consultant to advise the Council to ensure that all relevant matters (technical and otherwise) are addressed both before going out to tender and in the tender documents themselves. The costs of such advice and support are likely to be in the region of £30,000.

3.6 The Council's Procurement Procedure Rules generally require that a minimum of three quotes are sought for procurements of this value. However, there is provision in the Procurement Procedure Rules (as set out in the Procurement Manual) for Cabinet to

provide an exemption to those rules in exceptional circumstances. A waiver of the Procurement Rules may be agreed by Cabinet if they are satisfied, after considering a written report, that the waiver is justified because:

(i) The nature of the market for the works to be carried out for the goods or services to be provided has been investigated and is demonstrated to be such that a departure from the requirements of the Procurement Procedure Rules is justified;
(ii) The contract is for works, goods and services that are required in circumstances of extreme urgency that could not reasonably have been foreseen;
(iii) The circumstances of the proposed contract are covered by legislative exemptions;
(iv) The goods are proprietary items and no satisfactory alternative is available;
(v) Requirements are needed to match a partial replacement or an addition to existing goods or installation;
(vi) There are other circumstances which are genuinely exceptional.

3.7 Any exemption must be justified on the basis that in the particular circumstances of the case it will deliver Best Value for the Council.

3.8 In this case the Council is seeking very specific technical advice and support. Given the speciality of the market in this area there are limited options available to the Council. What is more the Council has to move quickly in appointing a consultant as it needs to ensure that the whole project (i.e. from the initial design work, subsequent procurements, contractor appointments and installation of the respective Heat Pumps) is completed by January 2020 in order to benefit from the tariffs set out in the Renewable Heat Incentive Scheme.

3.9 In the circumstances, and for the reasons set out at paragraph 3.8 above (which are consistent with the first two grounds for justifying a waiver set out in the Procurement Manual) it is proposed that Cabinet approves a waiver of the Council's Procurement Procedure Rules on the basis that there are circumstances which are genuinely exceptional. In the particular circumstances of this project the appointment will deliver best value for the Council.

## 4.0 LINK TO COUNCIL PRIORITIES:

4.1 Installation of Ground Source Heat Pumps with its low carbon technology and reduced energy consumption will support the Councils priority of caring for the environment supporting energy efficiency and sustainability and improving our environmental footprint.

4.2 The scheme will also support the Councils priority of financial sustainability contributing to income generation for 20 years from the UK Governments Renewable Heat Incentive and contributing revenue savings on energy expenditure on gas and electric for the lifetime of the installations.

4.3 The Council with North Yorkshire County Council are undertaking a study to assess whether Northallerton is a suitable location to support a District Heating Scheme. The aim of the scheme, which is focused on larger energy consumers for example public sector and business organisations, is to provide reduced cost energy, reduce carbon emissions and centralise heat generation. This initial study is to assess whether Northallerton represents a potential opportunity for District Heating and determine if a further more detailed study is undertaken. The outcome of the study is expected in the early part of 2019.

## 5.0 RISK ASSESSMENT:

### 5.1 Risks in approving the recommendation(s)

| Risk | Implication | Prob* | Imp* | Total | Preventative action |
|---|---|---|---|---|---|
| Further assessment of the scheme reveals it is not economically viable resulting in unrecoverable expenditure | Scheme not progressed, with expenditure on a scheme, income generation and revenue expenditure savings on energy not achieved. | 3 | 4 | 12 | Manage project with assessment and review at each key stage to minimise financial exposure and ensure scheme does not progress unless continuing economic viability is demonstrated. |
| The size and scope of project is undeliverable within such a tight timescale. | The scheme does not meet agreed deliverables for the Renewable Heat Incentives and the Council fails to attract RHI payments. | 3 | 4 | 12 | A full project management approach will be followed with appropriate assistance from experts in the implementation of this technology. |

### 5.2 The key risk is in not approving the recommendation(s) as shown below:-

| Risk | Implication | Prob* | Imp* | Total | Preventative action |
|---|---|---|---|---|---|
| The provisional tariff guarantees expire and the opportunity to assess further the installation of Ground Source Heat Pumps at the current generous Renewable Heat Incentive terms is lost. | The Council loses an opportunity to generate income and make revenues savings on its energy expenditure. | 4 | 4 | 16 | Accept the recommendations and allow further development of the scheme. |

Prob = Probability, Imp = Impact, Score range is Low = 1, High = 5

5.3 The overall risk of approving the recommendations outweighs the risks of not agreeing them and is considered acceptable.

## 6.0 FINANCIAL IMPLICATIONS:

6.1 OFGEM rules require that schemes under the Renewable Heat Incentive are delivered by January 2020.

6.2 The capital expenditure on the scheme based on the initial assessment is estimated at £2,113,198; this is all costs associated with the scheme including the costs for appointing the consultant to advise and support the Council. The combined projected income from the Renewable Heat Incentive and savings from reduced energy consumption is estimated at £8,195,345 over the initial 20 year period of the scheme. This represents a payback period of an average 6.6 years over the five facilities, a net present value of £2,680,378 and an internal rate of return 14.10%.

6.3 By proceeding with the scheme, after the initial cost of £2,113,198, income will be generated by the receipt of renewable heat incentive payments over 20 years at £6,932,702 and savings on the cost of utilities at £1,262,643. After accounting for the councils costs of borrowing, the scheme will generate income over 20 years of £5,467,523.

6.4 Overall the revenue effects of the Ground Source Heat Pumps are detailed in the table below. This includes the cost of borrowing for the capital expenditure of £2,113,198, the income generated from renewable heat incentive receipts and the associated utility savings. The revenue position for the initial 4 years will be as follows:-

| **Revenue Effects** | **2018/19 £** | **2019/20 £** | **2020/21 £** | **2021/22 £** |
|---|---|---|---|---|
| Cost of borrowing | (2,353) | (56,1947) | (164,196) | (164,196) |
| Financed by:<br>Current budget<br>Increase in in base budget<br>Renewable heat incentive payments<br>Utility savings | <br>2,353 | <br><br>56,194 | <br><br>271,395<br>49,429 | <br><br>278,180<br>50,665 |
| **(Cost) / surplus budget position** | **(2,341)** | **(56,194)** | **156,629** | **164,649** |

6.5 The costs of borrowing in 2018/19 will be absorbed into the existing budget and in 2019/20 funding will be allocated from the Income Generating Fund reserve. The table also shows that the income generated in 2020/21, and continued in future years, covers the borrowing costs and also generates income for the council each year of around £156,629, increasing with inflation on Renewable Heat Incentive receipts.

6.6 Utility savings from gas consumption net of electricity costs will vary depending on the price of gas and electricity, the cost of individual units used and the demand. These are estimates and are subject to vary in line with the variation of energy charges; this will affect the savings generated over the life of the model.

6.7 It should also be noted that the following assumptions have been made when calculating the income to be generated from the scheme:

- Costs of annual maintenance works and significant works after 10 years have been taken into account
- The discount rate at 4% has been used to calculate the net present value
- The gas and electric consumption has been based on current usage at the five locations
- Industry averages have been used to confirm the viability of ground source heat pumps reduction in costs related to the Councils energy usage
- Borrowing has been calculated over 20 years using a 20 year public works loan board maturity interest rate loan

6.8 Further work will occur around the financial position and be reported back along with all subsequent updates on the scheme to stress test the financial model using different scenarios.

6.9 The primary aim of the Ground Source Heat Pumps renewable Incentive Initiative tariff is to provide low carbon heat generation technology, which will improve energy efficiency, reducing energy consumption resulting in income generation and energy expenditure savings. As part of the development of installations at individual facilities, there will be assessment of opportunities to introduce cooling from the Ground Source Heat Pumps to replace air conditioning, which in the longer term could also potentially generate savings.

## 7.0 LEGAL IMPLICATIONS:

7.1 Cabinet approval is required for any waiver of the Council's Procurement Procedure Rules. These matters are addressed in paragraphs 3.6 – 3.9 of this report.

## 8.0 EQUALITY/DIVERSITY ISSUES

8.1 Equality and Diversity Issues have been considered however there are no issues associated with this report.

## 9.0 HEALTH AND SAFETY ISSUES

9.1 Health and Safety will be managed as part of the implementation at each facility, the project delivery will fully comply with the Construction Design and Management Regulations 2015 (CDM 2015).

## 10.0 RECOMMENDATIONS:

10.1 That Cabinet approves and recommends to Council that:

(1) the Ground Source Heat Pump Scheme is allocated Capital budget of £2,113,198 for the implementations of installations at:

(i) Civic Centre
(ii) Northallerton Leisure Centre
(iii) Bedale Leisure centre
(iv) Stokesley Leisure Centre
(v) Thirsk Sowerby Leisure Centre

(2) delegated authority is given to the Director of Finance (Section 151 Officer), in conjunction with the Deputy Leader, to authorise expenditure of the capital allocation on the Ground Source Heat Pump scheme to OFGEM;

10.2 That Cabinet approves:

(1) a waiver of the Council's Procurement Procedure Rules for the reasons set out in this report;

(2) the allocation of the sum of £30,000 for the provision of consultancy services as set out in this report;

(3) that further updates be provided to Cabinet as the project develops.

HELEN KEMP
DIRECTOR OF ECONOMY AND PLANNING

**Background papers:** None
**Author ref:** CT
**Contact:** Clive Thornton
Corporate Facilities Manager
Tel: 767052

**Annex A**

# Ground Source Heat Pump installations

Ground Source Heat Pumps (GSHP) are an alternative means to provide heating and potentially cooling to the Council's buildings. They use a renewable energy source which would replace fossil fuel heat generation and potentially cooling.

A GSHP extracts heat from the ground by circulating fluid which is a mixture of water and antifreeze through pipes (ground array) which are buried in the ground, in the case of larger installations a series of vertical boreholes can be drilled. The below surface subsoil remains at a constant temperature so GSHP's are a viable renewable energy throughout the year, with the ground array sized to suit the heating requirement of the facility.

Heat from the ground is absorbed by the circulating fluid in the ground array, and the heat is then extracted as it passes through a heat exchanger, the extracted heat is in turn used to heat water used in swimming pools and heating systems.

The remaining cold fluid once it has passed through the heat exchanger can potentially be used in a cooling circuit to replace air conditioning.

The installation of potentially five GSHP systems represents a significant investment and major project for the Council. Associated with any project is risk, appropriate management of risk is fundamental to the success of a project in its delivery and in this instance in the on-going management of the installations.

Risks have been identified in the key phases of the project:

- Prior to installation – tariff award, procurement and design
- Installation – delivery of construction and installation sign-off
- Implementation – Energy generation and maintenance

Risks will be managed in accordance with the Council's Risk Management Guide 2017.

Fundamentals that will be employed to assist with risk management are that the Council will retain control of the design, implementation and maintenance phases.

Intellectual property, the Council will retain the system design as its own, this ensures where people have to be replaced the technology does not.

Insurances will be in place to compensate in the event of failure, where it exists.

Procurement of consultants and contractors will follow procurement regulations, will be based on quality and price with the organisations having to demonstrate their experience, knowledge and skills of previous similar installations.

Finance, payments to organisations will be managed through certification of a quantity surveyor working in combination with monitoring and inspection by technical specialists.

Individual risks

1. **Failure of the energy market to allow GSHP to generate the savings that are estimated at commencement of project**

   **Mitigation**
   a. Ensure Government Heat Incentive payment is available, an award of a tariff guarantee notice will confirm the availability of Renewable Heat Incentive payments for the 20 year period of funding.
   b. Be prudent in estimating gas and electricity savings in the finance model
   c. Take into account that energy prices are increasing even though kwH prices are falling, this is the changing balance of standing charge and per kwh charges.
   d. Take into account that energy prices are rising even though demand of use of kw is falling, this is to reflect maintenance of supply infrastructure as energy consumption reduces.
   e. Be aware that current heating system could be required to run in parallel for 12 months whilst the installations are fine-tuned, so full savings and GSHP energy generation might not be achieved in the first year,

2. **Failure of the ground array system not to be sized and installed correctly**

   **Mitigation**
   a. Appoint specialist design consultant with appropriate capability to undertake and approve design.
   b. Ensure that the on-site installation matches the designed installation, specialist consultant approves on-site installations.
   c. Employ a quantity surveyor to monitor on site

3. **Contractors go in to liquidation during construction (most challenging)**

   **Mitigation**
   a. Council receives asset in its current form, so Council owns the project in its current state
   b. Council procures an alternative contractor
   c. Don't pre-pay the contractor for work – ensure quantity surveyor approves work prior to payment being made
   d. Ensue Council take title of assets
   e. Appoint more than one contractor to carry out the work in the specialist areas. Don't appoint one company to do all aspects e.g. Carillion.
   f. Specialist areas: Consultant to advice on project, design consultant, ground array contractor, plant room contractor, quantity surveyor

4. **Contractor goes into liquidation post construction**

   **Mitigation:**
   a. Ensure due diligence carried out in first instance to reduced risk of contractor going into liquidation – including financial analysis
   b. Ensure insurance covers all probability / likelihood where it is available
   c. Take out professional Indemnity insurance where possible to reduce the risk
   d. Ensure warranties / guarantees are in place where available
   e. Follow contract procedure rules in line with eth Council's Procurement Guidelines

5. **Failure of Drilling Contractor – goes into liquidation**

   **Mitigation**
   a. Appoint a consultant to assist in appointment of Design contractor and physical on sight contractor

b. Ensure professional indemnity insurance is in place

**6. Failure of GSHP to heat the buildings /swimming pools or GSHP lose heat**

Identify how heat loss occurs
– through the size of the system e.g. 600Kw
– verify gas consumption requirement (Gas bills and air temperature) e.g. 800Kw
Therefore – Difference between System size £600kw and Consumption Requirement 800kw is the risk

**Mitigation:**

a. Suitable heat pump –big enough
b. Appropriate 'ground array' – (i) review number of Kw available out of 'ground array', (ii) understand geology of the ground
c. Check these factors will heat the pool correctly in construction

**7. Failure of existing Gas Boilers that needs to be maintained and run in parallel with GSHP for first 12 months**

**Mitigation**

a. Corporate contract for boiler maintenance in place and ensure boilers are maintained as scheduled
b. Provide funding for decommissioning so that seamless move to GSHP generated energy and also provide funding for standard charge for 12 months.
c. Retain boiler as stand-by for extended period beyond year one.

**8. Failure of plant room heat pump**

**Mitigation**

a. Plant room heat pump fails due to scroll compressor which is the main component, replacement under guarantee and/or maintenance contract
b. This has a warranty of 7 years with a cost of approximately £1,000. This is 10/15% of the cost of the whole heat pump
c. Monitor and manage this initially through quantity surveyor and then through maintenance contract and heat pump engineer

**9. Failure of plant room heating engineer**

**Mitigation**

a. Follow appropriate procurement process to appoint maintenance engineer monitor contract performance. Appoint replacement engineer
b. Employ a quantity surveyor to ensure that the plant room heat engineer is carrying out their function correctly during construction
c. Hold Quantity Surveyor to account

**10. Failure of the Asset life of the bore hole plastic pipe**

Asset life is usually 100 years

**Mitigation**

a. Plastic pipe has a 25 year warranty claim if appropriate
b. If design and ground array are correct on design then the pipe should last
c. The ground array has multiple boreholes, the system will continue to operate as required in the event of one or a number of borehole failures, whilst repairs undertaken

**11. Failure of available budget to cover scheduled maintenance costs after 10 years**

**Mitigation**

a. Set up a maintenance Resource account in (MRA) in the capital 10 year programme so funding is allocated to the GSHP requirements

**12. Failure of Maintenance Reserve Account to be sufficient to cover GSHP replacements required**

**Mitigation**

a. Set aside 5% capital expenditure in MRA – 5% x £2.14m
b. If Heat pump fails then cost is £15k
c. If new copper pipes then £30k needed
d. Assess likely hood of individual parts failing and ensure 5% for maintenance of original capital expenditure is sufficient
**e.** Guarantees in place

**The risk register for this project will be updated on a regular basis as the project develops**

**HAMBLETON DISTRICT COUNCIL**

**Report To:** Cabinet
4 December 2018

**Subject:** **EASINGWOLD SCHOOL SPORTS FACILITIES**

**Easingwold Ward**
**Portfolio Holder for Leisure: Councillor Mrs B S Fortune**

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## 1.0 PURPOSE AND BACKGROUND:

1.1 This purpose of this report is to recommend to Cabinet that a greater proportion of the Section 106 funds previously identified for the delivery of a sports hall and artificial pitch at Easingwold Secondary School, is used towards the provision of a 3g pitch, subject to the developer's agreement. The Council has previously agreed that both facilities would be funded from the Section 106 funds.

1.2 In 2012 the Council allocated £650,000 from developer Section 106 contributions "towards the cost of a Sports Hall at Easingwold Secondary School". In June 2013 Cabinet approved a request from Easingwold Secondary School to release £100,000 of these funds towards the provision of a synthetic turf floodlit pitch on the site. This would have enabled the school to deliver improvements including access for the local community to sports facilities in the medium term whilst other external funding was sought to supplement the remaining £550,000 to replace the sports hall.

1.3 Despite significant work being undertaken to bring together the partners and funds needed to deliver an artificial pitch, the project did not materialise. The main reason for this was the difficulties that the school were experiencing which eventually led to an academy, the Outwood Grange Academies Trust, formally taking over the operation of the school from the local education authority in June 2017.

1.4 In 2017 the Council developed two key plans - the Playing Pitch Strategy and the Sports Facilities Strategy for the district, both integral to the development of the Local Plan. The production of the strategies included consultation with organisations and members of the public within the local community. The strategies identified the need for a sports hall and full-sized artificial pitch to meet the growing needs of the Easingwold area. The adoption of these strategies is fundamental to the chances of accessing external funds from the national governing sports bodies and in bringing partners together to deliver improvements across the district.

1.5 Since 2017 the Council has worked closely with the school and other key local partners including Easingwold Town Association Football Club, North Riding County Football Association, Easingwold Town Council and the Football Foundation, to develop an approach to meeting the major sports facility needs of the community in the area, namely a sports hall and an artificial pitch. Whilst this is a project for the school to deliver, the scale of the funding requirements and the community and strategic need for the facilities have necessitated the close involvement of the Council.

1.6 Both facilities will provide access for school pupils during the day and term-time, with the wider community gaining access during the evenings, weekends and holiday periods. The exact details of these arrangements will be included within a community access agreement, which as well as being a requirement of the Council is also a contractual stipulation in the funding agreement for the 3g pitch from the Football Foundation, a vital funder. The intention is also that the Council becomes a member of the pitch steering group established

once the pitch is built. The sports hall facilities will provide changing and ancillary accommodation (Annex A) to be used by both the pitch and sports hall customers, with both facilities being operated by the school. The provision of a sports hall and full-sized 3g pitch will represent a significant improvement in the sports facilities available to Easingwold and the south of the district.

1.7 Both projects have been submitted, to Hambleton District Council, for planning approval and a funding application has been lodged with the Football Foundation for the 3g pitch. Subject to the necessary approvals and funding provision the school is aiming for delivery by Autumn 2019.

1.8 The delivery costs total £2,595,000, with £1,900,000 being needed for the sports hall and £695,000 for the 3g pitch.

1.9 In order to optimise the mix of funds (see paragraph 4.1) and ensure that both elements are provided it has been requested by the school that the total £650,000 Section 106 contribution is divided differently to previously agreed, with £400,000 being allocated to the sports hall and £250,000 to the pitch. This therefore represents an increase of £150,000 to what was previously agreed for the artificial pitch. In order to do this the developer's permission is required. Redrow, the developer, has given its agreement in principle to a division of the funds and, should Cabinet be in agreement, a deed of variation is necessary to progress the matter. Should the 3g project not be delivered because, for example, there is insufficient other external funding, then Hambleton would retain the £250,000, in accordance with the Section 106 terms, until its future use was determined.

## 2.0 LINK TO COUNCIL PRIORITIES:

2.1 This project will make a significant contribution to the 'Enhancing Health and Wellbeing' and 'Providing a Special Place to Live' priorities. Delivery of both facilities reflects the strategic needs identified within the Sports Facilities Strategy and Playing Pitch Strategy for the district.

2.2 Outcomes from the project will include an increase in the number of people participating in physical activity, which will contribute to improved health and wellbeing, as well as a reduction in health threatening conditions. The developments will also provide facilities to help address anti-social behaviour within the town.

## 3.0 RISK ASSESSMENT:

3.1 There are no significant risks in approving the recommendations.

3.2 The key risks in not approving the recommendations are:

| Risk | Implication | Prob* | Imp* | Total | Preventative action |
|---|---|---|---|---|---|
| That either or both of the facilities are not built due to a lack of funds | The opportunity to provide good quality community facilities is lost, along with the benefits to health and quality of life. The opportunity is also lost to meet key sporting strategic needs in Easingwold | 4 | 4 | 16 | Approval of the recommendations |

| Risk | Implication | Prob* | Imp* | Total | Preventative action |
|---|---|---|---|---|---|
| Loss of the existing £650,000 Section 106 funds to contributing to the development of sports facilities in the area | The opportunity to provide good quality community facilities is lost, along with the benefits to health and quality of life. The opportunity is also lost to meet key sporting strategic needs in Easingwold | 4 | 4 | 16 | Approval of the recommendations |

Prob = Probability, Imp = Impact, Score range is Low = 1, High = 5

## 4.0 FINANCIAL IMPLICATIONS:

4.1 The funding for the two facilities is proposed to come from the following sources:

| Sports Hall | | 3g Pitch | |
|---|---|---|---|
| Outwood Grange Academies Trust | £1,500,000 | Outwood Grange Academies Trust | £16,000 |
| Hambleton DC s106 | £400,000 | Hambleton DC s106 | £250,000 |
| | | Football Foundation | £300,000 |
| | | Easingwold Town Football Club (s106) | £79,000 |
| | | Friends of Easingwold School | £50,000 |
| **Total** | **£1,900,000** | | **£695,000** |

4.2 The Hambleton District Council total of £650,000 would could from Section 106 funds.

## 5.0 LEGAL IMPLICATIONS:

5.1 The S106 off-site recreational contribution of £650,000 is required, in accordance with the terms of the S106 Agreement, to be used for the provision of a sports hall on the Easingwold Secondary School site. It is necessary to obtain the developer's consent to vary the S106 to use part of this sum, £250,000, for the provision of an artificial pitch on the site. The S106 Agreement refers to the funds being provided for the building of a sports hall at the school and does not make reference to who operates the facility, ie the local education authority or an academy.

## 6.0 EQUALITY/DIVERSITY ISSUES

6.1 Both facilities are intended for use by the school during term-time, with access for the wider community provided at all other times. As part of the programme for the 3g pitch a number of community groups have been approached, including disability groups, women's football and older people organisations, in order to provide access for a broad section of the community.

## 7.0 HEALTH AND SAFETY ISSUES

7.1 There are no health and safety issues related to this report.

## 8.0 RECOMMENDATIONS:

8.1 That Cabinet approves:

(1) the division of the £650,000 Section 106 funds as highlighted within paragraph 1.9 of the report, subject to the developer's agreement; and

(2) subject to recommendation (1) being agreed that approval of a community use agreement for use of the facilities is delegated to the Chief Executive in conjunction with the Leader.

PAUL STAINES
DIRECTOR OF LEISURE AND ENVIRONMENT

**Background papers:** Sports Facility Strategy; Playing Pitch Strategy

**Author ref:** SL

**Contact:** Steven Lister
Head of Service for Leisure and Environment
01609 767033

FLOOR PLAN


LOCATION PLAN




FLOOR PLAN & LOCATION PLAN

# OUTWOOD ACADEMY EASINGWOLD

Students First
OUTWOOD
ACADEMY EASINGWOLD

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**HAMBLETON DISTRICT COUNCIL**

**Report To:** Cabinet
4 December 2018

**Subject:** **NEW REQUIREMENTS FOR MINIMUM ENERGY EFFICIENCY STANDARDS IN DOMESTIC PRIVATE RENTED PROPERTIES**

**All Wards**

**Portfolio Holder for Environmental Health, Waste and Recycling: Councillor S Watson**

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## 1.0 PURPOSE AND BACKGROUND:

1.1 The purpose of this report is to introduce the requirements of the Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015 and determine the Authority's approach to the enforcement of these Regulations.

1.2 The aims of the Regulations are to improve energy efficiency in the private rented sector, particularly in older housing stock, meet UK targets of carbon dioxide reduction and contribute to tackling fuel poverty in the most vulnerable households by reducing energy bills. It has been established that 1 in 5 private renters are in fuel poverty.

1.3 The Regulations came into force in April 2018 for new and renewed private rental tenancies and will affect existing tenancies from April 2020. The Regulations do not apply to the social housing sector.

1.4 The Regulations prescribe a minimum level of energy efficiency provision which domestic private rented property must meet unless a valid exemption applies. The minimum level of energy efficiency allowed by the Regulations is an Energy Performance Certificate rating of E; with an A rating being the most efficient.

1.5. An Energy Performance Certificate provides the energy efficiency rating of a property and recommends ways in which the energy efficiency of the property can be improved. Most domestic (and non-domestic) buildings sold, rented or constructed since 2008 must have an Energy Performance Certificate.

1.6 Where a property fails to meet the standard the landlord must identify 'relevant energy efficiency improvements' that can be made to the property. The landlord is then expected to make the improvements to reach a minimum Energy Performance Certificate rating of E where third party funding is available.

1.7 Third party funding is available through schemes such as the 'Green Deal and pay as you save finance' and the 'Energy Company Obligation' fund.

1.8 Third party funding can also be provided by Central or Local Government. Hambleton could offer this funding using the existing Energy Repayment Loans fund of £25,000. The Environmental Health service set up this scheme in 2017 with funding from the regional Housing Board. However to date there have been no loan applications and Hambleton still has access to the fund.

1.9 Where third party funding is not available to fully cover the cost the landlord will not be required to make the improvements to the property and can register an exemption on the national Private Rented Sector Exemptions register. The Regulations provide other exemptions and exclusions which landlords must also register.

1.10 The Council must enforce the requirements of the Regulations and in particular when substandard properties are let in breach of the Regulations and where the landlord has registered any false or misleading information on the Private Rented Sector Exemption Register.

1.11 The Regulations allow the service of compliance notices to require the landlord to provide information when the Authority believes the landlord may be in breach of the prohibition on letting a substandard property and can also require the landlord to register the information requested on the Private Rented Sector Exemption Register.

1.12 If a landlord fails to comply with a compliance notice the Council can impose a financial penalty by serving a penalty notice which is paid to and retained by the Council. The amount of the financial penalty is at the Council's discretion up to the statutory maximums prescribed in the Regulations as follows:

a) Landlord has let a sub-standard property in breach of less than 3 months a penalty of up to £2,000.
b) Landlord has let a sub-standard property in breach of 3 months or more a penalty of up to £4,000.
c) Where the landlord has registered false or misleading information on the Private Rented Sector Exemptions register a penalty of up to £1,000.
d) Where the landlord has failed to comply with compliance notice a penalty of up to £2,000.
e) Combination of the above financial penalties under either (a) or (b) together with financial penalties under paragraphs (c) and (d) in relation to the same breach not exceeding £5,000.

1.13 If having been fined, a landlord proceeds to unlawfully let a substandard property on a new tenancy, the Council may again levy financial penalties of up to a maximum of £5,000.

1.14 A landlord can ask the authority to review its decision to serve a penalty notice and the Council may review its decision to serve a penalty notice if new information comes to light.

1.15 Where the Council upholds the service of the penalty notice, the landlord has the right of appeal against the penalty notice to the General Regulatory Chamber of the first Tier Tribunal within 28 days.

1.16 If the landlord does not pay a financial penalty the Council may take the landlord to court to recover the fine.

1.17 The Environmental Health service will determine the penalties that will be imposed for each case based on the hourly rate of officer time (including on costs) taken to investigate and process each matter. This will be in accordance with the Council's arrangements for its fees and charges.

1.18 The Environmental Health service will provide for the enforcement of these Regulations by updating its Private Sector Housing Enforcement Policy and ensuring that suitably competent officers are authorised to enforce the Regulations in accordance with the Councils Scheme of Delegation and delegated powers.

## 2.0 LINK TO COUNCIL PRIORITIES:

2.1 Enforcing the requirements of Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015 will contribute to the delivery of three of the Council's key priorities: Enhancing Health and Well Being, Providing a Special Place to Live and Caring for the Environment.

## 3.0 RISK ASSESSMENT:

3.1 There are no risks with implementing the recommendation.

3.2 The key risk is in not approving the recommendations as shown below:-

| Risk | Implications | Prob* | Imp* | Total | Preventative action |
|---|---|---|---|---|---|
| Failure to enforce the Regulations and not fulfil the Council's statutory duty. | Properties remain energy inefficient and landlords are allowed to provide substandard properties. | 4 | 3 | 12 | The Regulations are enforced and suitable penalties are in place. |

Prob = Probability, Imp = Impact, Score range is Low = 1, High = 5

3.3 Overall the key risk of agreeing with the recommendations outweighs any lower level risks of not agreeing the recommendations and is considered acceptable as the Authority has a statutory duty to enforce the requirements of the Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015.

## 4.0 FINANCIAL IMPLICATIONS:

4.1 The intention is that enforcement of the Regulations will be carried out within the existing revenue budget for the Environmental Health service. The volume and impact upon the service of enforcing the Regulations will be monitored. Any income from the service of penalty notices will either be provided as a saving in the service budget or used to fund any unanticipated costs of enforcing these Regulations.

## 5.0 LEGAL IMPLICATIONS:

5.1 The Regulations identify local authorities as the enforcing authority, providing powers to ensure compliance with the Regulations in respect of properties within its area.

## 6.0 EQUALITY/DIVERSITY ISSUES

6.1 Equality and Diversity Issues have been considered however there are no issues associated with this report.

## 7.0 RECOMMENDATIONS:

7.1 That Cabinet approves and recommends to Council that:-

(1) the Environmental Health service enforces the requirements of the Regulations to ensure that the Council fulfils its statutory duty;

(2) that the fund of £25,000 intended for Energy Repayment Loans is also made available for third party funding for energy efficiency improvements; and

(3) that penalties for non-compliance with Regulations are imposed on a case by case basis up to the statutory maximum and published in accordance with the Council's arrangements for its fees and charges.

PAUL STAINES
DIRECTOR OF LEISURE AND ENVIRONMENT

**Background papers:**

Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015
https://www.legislation.gov.uk/ukdsi/2015/9780111128350/contents

The Private Rented Property minimum standard – landlord guidance documents – 'Guidance to landlords of privately rented domestic and non-domestic property on complying with the 2018 'Minimum Level of Energy Efficiency' standard (EPC band E)'.
https://www.gov.uk/government/publications/the-private-rented-property-minimum-standard-landlord-guidance-documents

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01609 767033

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**HAMBLETON DISTRICT COUNCIL**

**Report To:** Cabinet
4 December 2018

**Subject:** **RESPONSE TO GOVERNMENT CONSULTATION**

**All Wards**
**Portfolio Holder for Planning: Councillor D A Webster**

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## 1.0 PURPOSE AND BACKGROUND:

1.1 The purpose of this report is to provide Cabinet with details of Government consultation exercises in relation to (1) Permitted development for shale gas exploration and (2) Inclusion of shale gas production projects in the Nationally Significant Infrastructure Project (NSIP) regime and the response provided by Officers on behalf of the Council. Both consultation responses were required by 11:45pm on 25 October 2018.

1.2 The purpose of the consultation on Permitted development for shale gas exploration was to seek views on the principle of whether non-hydraulic fracturing shale gas exploration development should be granted planning permission through a permitted development right, and in particular the circumstances in which it would be appropriate.

1.3 Officers' response to this consultation focussed on rejecting the proposed changes for extending Permitted Development rights to shale gas exploration on the basis that locally-based decision making would be removed. The full response is provided in Annex A.

1.4 The related consultation on the Inclusion of shale gas production projects in the Nationally Significant Infrastructure Project (NSIP) regime was an initial consultation to gather views from industry, regulators and other interested parties on the timings and criteria for including shale gas production projects in the Nationally Significant Infrastructure Project (NSIP) regime under the Planning Act 2008.

1.5 Officers' response to this consultation focussed on rejecting proposals to include shale gas production projects in the Nationally Significant Infrastructure Project on the basis that decision making for planning at all stages of shale gas extraction (fracking) should sit with the Local Mineral Planning Authority. The response also expressed that the most transparent method to involve local communities in the planning decisions of any shale gas application is to retain such planning decisions at a local level. Additionally, it was noted that the scale of fracking production development does not appear to fit within the large-scale defined thresholds considered within the Nationally Significant Infrastructure Project.

1.6 A significant area of Hambleton District is identified within the search area for shale gas, however only small areas are covered by a licence (Easingwold down to York, a small area near Brandsby and a further small area at the north of the district).

## 2.0 LINK TO COUNCIL PRIORITIES:

2.1 Consideration of local circumstances specific to any proposed development would ensure the correct planning decision for the Hambleton area; this would support the Council's priorities of Providing a Special Place to Live and Driving Economic Vitality.

## 3.0 RISK ASSESSMENT:

3.1 There are no risks associated with this report.

## 4.0 FINANCIAL IMPLICATIONS:

4.1 There are no financial implications associated with this report.

## 5.0 LEGAL IMPLICATIONS:

5.1 There are no legal implications associated with this report.

## 6.0 EQUALITY/DIVERSITY ISSUES

6.1 Equality and Diversity Issues have been considered however there are no issues associated with this report.

## 7.0 RECOMMENDATION:

7.1 That Cabinet endorses the Officers' response to the Government consultation on (1) Permitted development for shale gas exploration and (2) Inclusion of shale gas production projects in the Nationally Significant Infrastructure Project (NSIP) regime on behalf of Hambleton District Council.

HELEN KEMP
DIRECTOR OF ECONOMY AND PLANNING

**Background papers:** None

**Author ref:** HK

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01609 767204

**ANNEX A – Response to Consultation on Permitted development for shale gas exploration**

# The definition of non-hydraulic fracturing

**Question 1**

**a) Do you agree with this definition to limit a permitted development right to non-hydraulic fracturing shale gas exploration?**

No

**b) If No, what definition would be appropriate?**

The definition requires greater clarity around the explicit exclusions on exploration techniques which would be required to monitor and enforce any development.

**Question 2**

**Should non-hydraulic fracturing shale gas exploration development be granted planning permission through a permitted development right?**

No

# Development not permitted

**Question 3**

**a) Do you agree that a permitted development right for non-hydraulic fracturing shale gas exploration development would not apply to the following?**

- **Areas of Outstanding Natural Beauty**
- **National Parks**
- **The Broads**
- **World Heritage Sites**
- **Sites of Special Scientific Interest**
- **Scheduled Monuments**
- **Conservation areas**
- **Sites of archaeological interest**
- **Safety hazard areas**
- **Military explosive areas**
- **Land safeguarded for aviation or defence purposes**
- **Protected groundwater source areas**

Yes

**b) If No, please indicate why.**

N/A

**c) Are there any other types of land where a permitted development right for non-hydraulic fracturing shale gas exploration development should not apply?**

No comment.

# Development conditions and restrictions

**Question 4**

**What conditions and restrictions would be appropriate for a permitted development right for non-hydraulic shale gas exploration development?**

A number of conditions and restrictions could be applied to permitted development right for non-hydraulic shale gas exploration development; however, these would be specific to the local circumstances of any proposed development.

# Prior approval

**Question 5**

**Do you have comments on the potential considerations that a developer should apply to the local planning authority for a determination, before beginning the development?**

As per the response at Q4 above, local circumstances would inform the matters that need to be dealt with via prior approval and could include: transport and highways, visual/landscape impact assessment, noise, residential/local amenity, air quality, ecology, hydrogeology, hydrology (especially water quality) and ground stability.

# Time-period for a permitted development right

**Question 6**

**Should a permitted development right for non-hydraulic fracturing shale gas exploration development only apply for 2 years, or be made permanent?**

2 Years

# Public sector equality duty

**Question 7**

**Do you have any views the potential impact of the matters raised in this consultation on people with protected characteristics as defined in section 149 of the Equalities Act 2010?**

| |
|---|
| No comment |

**ANNEX B – Response to Consultation on Inclusion of shale gas production projects in the Nationally Significant Infrastructure Project (NSIP) regime**

| |
|---|
| **Question 1**<br>Do you agree with the proposal to include major shale gas production projects in the National Significant Infrastructure Project regime? |
| No |
| **Question 2**<br>Please provide any relevant evidence to support your response to Question 1. |
| When considered alongside the parallel proposal for Permitted Development rights for non-hydraulic fracturing shale gas explorations, proposals would in effect remove any powers of direct decision making from local mineral planning authorities. This contradicts the statements made in the consultation overview that "*The government recognises that the development of shale gas needs to be alongside support from local communities…"* and that *"local communities must be fully involved in planning decisions and any shale gas application – whether decided by councils or government."*<br><br>The scale of fracking production development does not appear to fit within the large-scale defined thresholds considered within the NSIP. |
| **Question 3**<br>If you consider that major shale gas production projects should be brought into the NSIP project regime, which criteria should be used to indicate a national significant project with regards to shale gas production? Please indicate from the list below:<br><br>a. The total number of individual wells per well-site (or 'pad')<br>b. The total number of well-sites within the development<br>c. The estimated volume of recoverable gas from the site(s)<br>d. The estimated production rate from the site(s), and how frequently (e.g. daily, monthly, annually or well lifetime)<br>e. Whether the well-site has/will require a connection to the local and/or national gas distribution grid<br>f. Requirement for associated equipment on-site, such as (but not limited to) water treatment facilities and micro-generation plants<br>g. Whether multiple well-sites will be linked via shared infrastructure, such as gas pipelines, water pipelines, transport links, communications, etc<br>h. A combination of the above criteria – if so please specify which<br>i. Other – if so please specify |
| We do not consider that major shale gas production should be brought into the NSIP project regime, and that decision making for planning at all stages of fracking should sit with the Local Mineral Planning Authority. |

| |
|---|
| **Question 4**<br>Please provide any relevant evidence to support your response(s) to Question 3. |
| The most transparent method to involve local communities in the planning decisions of any shale gas/fracking application is to retain such planning decisions to the Local Minerals Planning Authority. |
| **Question 5**<br>At what stage should this change be introduced? (For example, as soon as possible, ahead of the first production site, or when a critical mass of shale gas exploration and appraisal sites has been reached). |
| No comment |
| **Question 6**<br>Please provide any relevant evidence to support your response to Question 5. |
| No comment |

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**HAMBLETON DISTRICT COUNCIL**

**Report To:** Cabinet
4 December 2018

**Subject:** **COUNCIL TAX REDUCTION SCHEME FROM 2019/20**

**All Wards**

**Portfolio Holder for Economic Development and Finance: Councillor P R Wilkinson**

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## 1.0 PURPOSE AND BACKGROUND:

1.1 For each financial year the billing authority must consider whether to revise its Council Tax Reduction scheme or replace it with another. Any revision or replacement scheme must be made no later than 11 March in the financial year preceding that year for which the revision or replacement scheme is to be effective.

1.2 Hambleton District Council has around 41000 households liable for Council Tax. The current means-tested Council Tax Reduction scheme currently provides support to over 4,000 low-income and vulnerable households in the district.

1.3 Although Council Tax collection rates have remained high over the last few years at 98% the collection rate for those who receive Council Tax Reduction is far more time consuming and costly when compared with usual collection. Collection rates for those working age residents who claim Council Tax Reduction continues to be lower than the average collection rate with arrears accruing for more than one year. The impact of the roll out of Universal Credit on the households ability to pay and possible arrears is not yet apparent.

1.4 The welfare reform and further roll out of Universal Credit has impacted on the Council's Local Reduction scheme provided to working age people. Although the Council has continued to mirror the Housing Benefit scheme to allow administrative efficiencies to be achieved, the continuation by central government to make exceptions to those who can claim Universal Credit means the administration of Council tax reduction schemes is becoming more burdensome and is often out of sync due to the timing of Housing benefit legislation changes and the restriction on Council Tax schemes that changes cannot be made in year. Additionally customers are confused when and where to report changes in circumstances because of the different rules which impacts on the recovery and collection process when overpayments occur.

1.5 It is suggested that the existing Council Tax Reduction scheme continues into 2019/20 to allow time to undertake research together, with the North Yorkshire Authorities, to inform a simpler designed scheme effective from 2020 which will adequately deal with the issues surrounding the roll out of Full Service Universal Credit and require reduced future maintenance and prevent additional administration costs

## 2.0 LINK TO COUNCIL PRIORITIES:

2.1 The Council has a statutory duty to provide a local Council Tax Reduction scheme for working age residents who are struggling to meet their Council Tax liability. The pensioner scheme is prescribed by central government.

2.2 The scheme provides financial support to those on low incomes allowing them to live more independent lives and support their health and wellbeing.

## 3.0 RISK ASSESSMENT:

3.1 There are no significant risks in approving the recommendations.

3.2 The key risk in not approving the recommendations is as shown below:-

| Risk | Implication | Prob* | Imp* | Total | Preventative action |
|---|---|---|---|---|---|
| That a Local Scheme will not be adopted by Council within the timescales. | The Council has not fulfilled its statutory duty and runs the risk of challenge | 3 | 4 | 12 | To ensure that the Council adopts a Local Scheme by 31 January 2019 |

Prob = Probability, Imp = Impact, Score range is Low = 1, High = 5

## 4.0 FINANCIAL IMPLICATIONS:

4.1 The amount paid out in respect of Council Tax Reduction has been reducing year on year which is also reflected in the number of residents in receipt of the support.

4.2 Council Tax collection rates have remained high over recent years at 98%. Whilst the collection rate on the accounts of working age residents has been encouraging at around 81%, it has been challenging for what is a relatively small number of accounts. Due to the requirement to pay a minimum of 20% some accounts are carrying arrears into the following years making the prospect of collection more time consuming and costly in comparison to usual collection.

4.3 The cost of awards under the Council Tax Reduction scheme impact on the tax base and therefore the Council Tax income. If the cost of awards were to reduce this would mean that the Council Tax base could increase as would the income. Any increase in income would be shared through the Collection Fund with the preceptors.

## 5.0 LEGAL IMPLICATIONS:

5.1 The Council has a statutory duty for each financial year to consider whether to revise its Council Tax Reduction scheme or to replace it with another scheme.

5.2 The Local Government Finance Act provides that the making or revision of a Council Tax Reduction scheme can only be discharged by the Authority.

## 6.0 EQUALITY/DIVERSITY ISSUES

6.1 The Council Tax Reduction scheme designed by the Council affects adults of all ages (below the state pension age) regardless of other equality factors. As there are no proposed changes there are no additional factors to consider.

## 7.0 RECOMMENDATIONS:

7.1 That Cabinet approves and recommends to Council that the current Local Council Tax Reduction Scheme incorporating any legislation changes effective from April 2019 continues into 2019/20

LOUISE BRANFORD-WHITE
DIRECTOR OF FINANCE (S151 OFFICER)

**Background papers:** None
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